EBIX INC
Form 10-K/A
December 20, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment Number 2)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15() OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15() OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 0-15946

EBIX, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	77-0021975 (I.R.S. Employer Identification Number)
1900 E. Golf Road Schaumburg, Illinois (Address of principal executive offices)	60173 (Zip Code)

Registrant's telephone number, including area code: (847) 789-3047

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Title of each class

Common Stock, par value $0.10 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this

Form 10-K or any amendment to the Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes o No ý

As of March 1, 2004, the number of shares of Common Stock outstanding was 2,738,990. As of June 30, 2003 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of Common Stock held by nonaffiliates, based upon the last sale price of the shares as reported on the NASDAQ SmallCap Market on such date, was approximately $5,306,677 (for this purpose, the Company has assumed that directors, executive officers, and holders of more than 10% of the Company's common stock are affiliates).

Documents Incorporated by Reference Portions of the registrant's definitive proxy statement relating to its 2004 Annual Meeting of Stockholders are incorporated by reference into Part III.

EXPLANATORY NOTE

In connection with a review by the Securities and Exchange Commission (the "SEC") of the Company's Registration Statement on Form S-3 (File No. 333-112616), the SEC has reviewed the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (the "Form 10-K") and other reports filed by the Company with the SEC. The SEC's review of the Form 10-K has focused primarily on financial-related disclosure. This Amendment No. 2 to the Form 10-K (this "10-K/A") has been filed in connection with the Company's response to comments on the Form 10-K and other filings raised by the SEC during its review process.

Please note that, except as set forth in Items 10, 11, 12 and 13 and as otherwise indicated in this 10-K/A, the information contained in this 10-K/A has not been updated to reflect events or developments occurring after March 30, 2004, the date the Form 10-K was originally filed with the SEC and, accordingly, such information continues to speak as of such earlier date. You are urged to read the Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by the Company since the original filing date of the Form 10-K.

EBIX.COM, INC.

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On October 1, 2002, the Company's common stock began trading on a 1-for-8 reverse split basis. The Company's stockholders approved the reverse stock split at a special meeting of stockholders held on September 30, 2002. The reverse stock split returned the Company to compliance with the continued listing standards of the NASDAQ SmallCap Market, in particular the minimum bid price requirement. All share related information in this annual report on Form 10-K gives effect to the reverse stock split.

PART I

Item 1. BUSINESS

Ebix, Inc. (the "Company"), which changed its name from ebix.com, Inc. on December 30, 2003, was founded in 1976 as Delphi Systems, Inc., a California corporation. In this report, Ebix, Inc. is referred to as the "Company," while Ebix.com (Ebix.com is a registered trademark of Ebix, Inc.) refers to the Company's website, including the Company's internet browser-based products described below.

The Company is an international provider of software and Internet-based solutions for the insurance industry. International revenue accounted for 31%, 25% and 19% of total revenue in 2003, 2002 and 2001, respectively. Historically and during 2003, the Company's revenue has been derived primarily from the licensing and sale of software comprised of proprietary software and third-party software (10% of revenue in 2003) and from professional and support services (90% of revenue in 2003). Professional services include consulting, implementation, training, and project management provided to the Company's customers with installed systems and those in the process of installing systems. Also included in professional services are fees for software license maintenance, initial registration and ongoing monthly subscription fees from the EbixASP product, transaction fees generated from the Ebix.mall website, and business process outsourcing revenue.

The Company's software and software maintenance customer list includes a majority of the largest 100 insurance brokerages and top 200 agencies in the United States and Canada, and many of the largest worldwide brokers. The Company estimates that its software operates on approximately 5,900 workstations and terminals at more than 2,000 customer sites.

In May 2002, the Company established ebix Software India, Private Limited. The purpose of this subsidiary, which is located in Delhi, India, was to lower the Company's in-house development cost and provide a new source of revenue from the provision of business process outsourcing.

On February 23, 2004 the Company acquired LifeLink Corporation ("LifeLink") located in Park City, Utah. LifeLink markets a number of software products that provide sales illustrations and quote comparison services to insurance carriers and wholesalers operating in the life insurance and long-term care markets. The Company acquired all of the outstanding stock of LifeLink from its shareholders in exchange for an aggregate purchase price of $10,500,000, payable in cash and stock. See note 13 to the consolidated financial statements. The acquisition of LifeLink continues the Company's focus on the insurance industry while providing us with an entrée to the life insurance segment of the insurance market from both the agent/broker and carrier perspective.

Information on the Company's revenues and fixed assets in different geographic areas is furnished in note 12 to the consolidated financial statements, included elsewhere herein.

Industry overview The insurance industry has undergone significant consolidation over the past several years driven by the need for, and benefits from, economies of scale and scope in providing insurance in a competitive environment. Consolidation has involved both insurance brokers, who are the Company's primary customers, and insurance companies and is directly impacting the manner in which insurance products are distributed. Management believes the insurance industry will continue to experience significant changes in the next several years to meet the changing distribution model. Changes in the insurance industry may create both opportunities and challenges for the Company.

Management believes consolidation will give brokers the opportunity to decrease distribution costs and eliminate labor-intensive tasks via automation. The Company believes that increasing competition will force brokers to improve service levels via improved automated processes such as quoting and claims processing. Management believes that the Company can partner with customers to provide integrated information management solutions, and fully leverage information technology and services.

Management expects the consolidation of the insurance industry to create a marketplace of fewer yet more sophisticated brokers and agents. This environment may allow the Company unique opportunities to compete for market share with respect to product functionality, service and price.

Products and Services The Company's product and service strategy focuses on the following three areas: (1) worldwide sales and support of agency management systems including EbixASP, (2) expansion of connectivity between consumers, agents, carriers, and third party providers through Ebix.com, INS-Site, EbixExchange and LifeLink and (3) business process outsourcing services, which include software development, call center and back office, either off site or at the Company's facilities. Software delivered online through application service provider ("ASP") models and connectivity products are recorded as services by the Company. The Company anticipates that future revenue will be provided principally by international operations, LifeLink, development services, call center services and support.

In 2001, the Company began marketing the EbixASP product to beta customers and it became available to the general public in 2002. EbixASP is a web-enabled system for insurance agencies to manage their businesses. EbixASP is sold both as a hosted and a self-hosted product. Revenues generated from the sale of EbixASP hosted by the Company are recorded in services revenue, while revenues generated from the sale of self-hosted EbixASP are recorded in software revenue. The Company hosted product generates revenues through initial registration and ongoing monthly subscription fees based on the number of personnel accessing the software. The Company plans to attempt to enter into at least one joint venture to expand the sale of EbixASP worldwide during 2004.

EbixExchange is an Internet based service developed by the Company to facilitate connectivity for upload, download, and data exchange between carriers, agents and third party providers and is part of the total revenue generation from the other product offerings which feature EbixExchange as part of their technology. The service was completed in late 2002 and is currently being used for the download function in EbixASP and the rating functionality in the Company's business to consumer exchange, Ebix.mall. In May 2001, the Company purchased the INS-Site product line. The INS-Site product line could be characterized as an earlier model of EbixExchange, facilitating carrier-to-agent workflow such as download of policy information, upload of new business or policy change requests, as well as agent inquiry of key policy information such as status, billing and claims. INS-Site generates revenue through hosting and service fees.

LifeLink markets a number of software products that provide sales illustrations and quote comparison services to insurance carriers and wholesalers operating in the life insurance and long-term care markets. The assets of LifeLink acquired by the Company were utilized by LifeLink in connection with the life insurance sales software applications business, and the Company intends to continue such use of these assets into the foreseeable future.

Ebix.mall generates revenues through transaction fees billed to insurance agencies and carriers who use the Ebix.com website.

The Company also provides development consulting to brokers, carriers, and agents. Some of the Company's recent projects for clients include an appointment to develop a reinsurance exchange for a European company, design and development of a carrier system over the web for a large European company, design and development of a sales system for a U.S. company, and development of an online application, underwriting, policy issuance, and claims system for an insurance carrier, as well as for a musical instrument insurance Managing General Agent (MGA). In addition, the Company has developed call center and business process outservice operations for retail agencies and insurance associations.

The Company also continues to provide its agency management software product line, which is comprised of "Ebix.global" (formerly cd.global), a modular, state of the art, agency management solution providing flexibility and the ability to handle unstructured data and complex risk, and "Ebix.one" (formerly cd.one), a structured system utilizing many features of the Company's previous products. The Company also continues to support but no longer sells six "legacy" products: INfinity, INSIGHT, PC-ELITE, Insurnet, SMART, and Vista. The legacy products provide basic functions such as policy administration, claims handling, accounting, and financial reporting. The Company expects to maintain and support the legacy products as long as it believes there is adequate economic and strategic justification. The Company will continue to encourage customers utilizing legacy products to migrate to newer products.

The software products offered by the Company range in price from $85 per month per seat to $2,700 per license, depending on whether the customers are obtaining the products through a service hosted by the Company or hosting the products themselves, and the total contract value for certain multiple-site global brokers can be over $1,000,000. For the years ended December 31, 2003 and December 31, 2002, BRiT Insurance Holdings PLC (BriT) and its affiliates, accounted for approximately 23% and 17%, respectively, of consolidated revenue. See note 2 to the consolidated financial statements included in this Form 10-K. In addition to BriT and its affiliates, one international customer, AON, accounted for approximately 11% of consolidated revenue for the year ended December 31, 2003. For the year ended December 31, 2001, one domestic customer (including its foreign subsidiary), AON, accounted for approximately 10% of consolidated revenue.

System Design and Architecture The Company's new product offerings utilize the latest Internet based architecture. "Ebix.global" is a client/server based system, which runs on an Oracle relational database software technology. "Ebix.one" is operational on pervasive database software.

EbixASP is an e-commerce enabled agency management system that can be hosted on an ASP basis by the Company or licensed to a customer to self-host. The product is hosted by the Company at a fully managed hosting facility, Sungard eSourcing ("Sungard"), using a MS-SQL server, Microsoft ASP on multiple servers in a load balanced environment with redundancy in terms of back ups and downtime. All agencies using EbixASP need only one software product, Microsoft Internet Explorer, as the back end software is hosted at Sungard.

EbixExchange operates on Microsoft dotnet technology.

INS-Site is one of the products offered by Ebix under the EbixExchange family of products. This product allows insurance data to be downloaded from and into multiple insurance company systems automatically. This product is hosted by Ebix.

Backlog There was no significant backlog as of December 31, 2003. The Company's backlog as of December 31, 2002 was approximately $929,000, consisting primarily of non-cancellable ASP contracts and related consulting services.

Product Development At December 31, 2003, the Company employed 80 (70 international and 10 domestic) full-time employees engaged in product development activities. These activities include research and development of software enhancements such as adding functionality, improving usefulness, increasing responsiveness, adapting to newer software and hardware technologies and developing and maintaining the website. Development of custom software enhancements for customers can be used in system development for other customers.

The Company's development focus is in four areas: (i) continued enhancement of EbixASP, (ii) developing technology for insurance carriers, brokers and agents, including, in some cases, hosting the systems developed, (iii) continued enhancement of EbixExchange, and (iv) continued maintenance of the Ebix.com website.

Product development expenditures were $1,552,000, $1,779,000 and $2,033,000 in 2003, 2002 and 2001, respectively. Approximately $327,000 of development costs were capitalized during 2001. As the

Company has continued to refine its strategy and focus of using offshore resources, levels of efficiency have improved and, as a result, expenses have decreased.

Competition Management believes its principal competition varies by each area of focus.

In the area of connectivity, the Company competes with a large carrier owned network that provides transaction connections to agents and carriers, and in-house systems developed by carriers. In addition, the Company competes, to a much lesser extent, with operators of several smaller websites that enter and leave the market on a regular basis.

Key competitive features in the area of connectivity include: (1) ability to complete end-to-end conversion of data between systems and from input to policy issuance, (2) offerings and services for both personal and commercial lines, (3) affording insurance customers a marketplace in which insurance can be priced on an objective, competitive basis, and (4) ability to complete transactions online for insurance customers, agents, and carriers. Management believes that, overall, with respect to Ebix.com, INS-Site, and EbixExchange, the Company competes favorably with respect to these factors.

In the area of agency management systems, while the Company believes that EbixASP provides a strategic advantage for the Company, two companies provide client/server software which are in competition with those historically offered by the Company. These companies are larger than the Company and may have greater resources. Additionally, certain large hardware suppliers sell systems and system components to independent agencies. The Company also experiences competition to a much lesser extent from small, independent or freelance developers and suppliers of software who sometimes work in concert with hardware providers to supply systems to independent agencies.

The Company believes that some insurance carriers continue to operate subsidiaries that actively compete with the Company to provide agency systems to their in-house agency or brokerage efforts. These carriers generally have much greater financial resources than the Company and have in the past subsidized the automation of independent agencies through various incentives offered to promote the sale of the carrier's insurance products.

In the area of consulting, the Company competes with hardware, development, and software providers and in-house information technology departments in carriers and targeted clients. These companies and carriers generally have much greater financial resources than the Company. The Company also experiences, to a much lesser extent, competition from small, independent or freelance developers and suppliers of software who sometimes work in concert with hardware providers to supply consulting and development.

Key competitive factors for the Company's software, services and consulting are product technology, features and functions, ease of use, price, project management, service, reputation, reliability, effects of insurance regulation, insurance knowledge, technology expertise, and quality of customer support and training. Management believes that, overall, the Company competes favorably with respect to these factors.

Proprietary Rights The Company regards its website and software as proprietary and attempts to protect it with copyrights, trade secret laws and restrictions on disclosure and transferring title. Despite these precautions, it may be possible for third parties to copy aspects of the Company's products or, without authorization, to obtain and use information which the Company regards as trade secrets. Existing copyright law affords only limited practical protection and the Company's software is unpatented.

Employees At December 31, 2003, the Company had 211 employees, including 14 in sales and marketing, 80 in product development, 55 in customer service and operations, 40 in call center and 22 in general management, administration and finance. None of the Company's employees is presently covered by a collective bargaining agreement. Management believes that its relations with its employees are good.

Risk Factors

You should carefully consider the risks, uncertainties and other factors described below, along with all of the other information included in this annual report on Form 10-K, because they could materially and adversely affect our business, financial condition, operating results and prospects and/or the market price of our common stock. This risk factors section is written in response to the Securities and Exchange Commission's "plain English" guidelines. In this section, the words "we," "us," "our" and "ours" refer to the Company and not any other person.

Risks Related To Our Business and Our Industry

You may have difficulty evaluating our business because of our limited history of Internet, call center and other business process outsourcing.

Although our predecessor began operations in 1976, we did not begin any Internet operations until September 1999 and did not begin generating revenues from these operations until the fourth quarter of 2000. We did not begin any call center or other business process outsourcing operations or begin generating revenues from these operations until the first quarter of 2003. Accordingly, there is a limited history of these operations on which you can evaluate our company and prospects. We cannot be certain that our Internet, call center and other business process outsourcing strategies will be successful, because these strategies are new. Our early-stage Internet, call center and other business process outsourcing operations will be particularly susceptible to the risks and uncertainties described in these risk factors and more likely to incur the expenses associated with addressing them. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in a transitional stage of development, particularly companies in new and rapidly evolving markets, such as electronic commerce, and using new and unproven business models.

Because the support revenue that we have traditionally relied upon has been steadily declining, it is important that new sources of revenue continue to be developed.

Our revenue from the support services we offer in connection with our legacy software products has been decreasing significantly over the course of the past few years. This decline can be attributed to the fact that many of our support clients are not renewing their support agreements with us, in many cases because they are no longer using our legacy software. Even if they are continuing to use our legacy software, our support clients may choose not to renew their support agreements if their legacy software products no longer require support or they use third party support. In addition, some of the clients who use our support services have reduced the level of support that we provide them, which in turn reduces our support revenue. This downward trend in our support revenue makes us particularly dependent upon our other sources of revenue. The new product lines and service offerings of our business are producing revenue but at a slower growth rate due to current economic conditions.

Two customers currently provide a significant percentage of our total revenue.

Revenues from one customer, BRiT Insurance Holdings PLC and its affiliates, which at March 5, 2004 owned approximately 34.0% of our common stock and approximately 45% of CF Epic Insurance and General Fund, which at that date owned approximately 8.1% of our common stock, represented approximately 23% of our total revenue in 2003 and 17% of our total revenue in 2002. If revenues from this customer were to discontinue, our operating results could be adversely affected.

Revenues from another international customer, AON, represented approximately 11% of our total revenue in 2003. If revenues from this customer were to discontinue, our operating results could be adversely affected.

Adverse insurance industry economics could adversely affect our revenues.

We are dependent on the insurance industry, which may be adversely affected by current economic and world political conditions.

Our operating results may fluctuate dramatically.

Our quarterly operating results may fluctuate significantly in the future due to a variety of factors that could affect our revenues or our expenses in any particular quarter. You should not rely on our results of operations during any particular quarter as an indication of our results for a full year or any other quarter. Factors that may affect our quarterly results include:

- Changes in insurance agents' and carriers' consumer acceptance of Internet commerce;

- Loss of a significant insurance agent, carrier or broker relationship or the merger of any of our participating insurance carriers with one another; and

- Technical difficulties for our internet focused services that hamper an agent's ability to run its agency system hosted by us.

Our operating expenses are based in part on our expectations of our future revenues and are relatively fixed in the short term. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall.

We could be subject to civil fines and penalties as a result of the SEC's investigation of our financial reporting.

On August 11, 2000, we were advised that the SEC had issued a formal Order of Investigation and subpoenaed documents relating to our financial reporting since April 1, 1997, including, in particular, revenue recognition, software development cost capitalization, royalty costs and classification of cash receipts. We have submitted documents to the SEC upon the SEC's request as part of the investigation. It is possible that the SEC could impose civil fines and penalties against us. An adverse finding against us by the SEC could negatively impact our stock price. In addition, we may continue to incur expenses associated with responding to this investigation, regardless of its outcome, and this investigation may divert the efforts and attention of our management team from normal business operations.

We cannot predict our future capital needs and we may not be able to secure additional financing when we need it.

We may need to raise additional funds in the future in order to fund more aggressive brand promotion or more rapid expansion, to develop new or enhanced services, to respond to competitive pressures or to make acquisitions. Any required additional financing may not be available on terms favorable to us, or at all. If adequate funds are not available on acceptable terms, we may be unable to meet our business or strategic objectives or compete effectively. If additional funds are raised by our issuing equity securities, stockholders may experience dilution of their ownership interests, and the newly issued securities may have rights superior to those of our common stock. If additional funds are raised by our issuing debt, we may be subject to limitations on our activities.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value and harm our operating results.

We recently acquired LifeLink and may in the future acquire or make investments in complementary businesses, technologies, services or products if appropriate opportunities arise. The process of integrating LifeLink or any other acquired business, technology, service or product into our business and operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may consume much of our management's time and attention that could otherwise be available for ongoing development of our business. Moreover, the anticipated benefits of the LifeLink acquisition or any acquisition may not be realized. Furthermore, we may be unable to identify, negotiate or finance future acquisitions successfully. Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities or amortization expenses related to intangible assets.

We may not be able to continue to develop new products to effectively adjust for rapid technological changes.

To be successful, we must adapt to rapidly changing technological and market needs, by continually enhancing our website and introducing new products and services to address our users' changing demands.

The marketplaces in which we operate are characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new product and service introductions;
- shifting distribution channels; and
- changing customer demands.

Our future success will depend on our ability to adapt to this rapidly evolving marketplace. We could incur substantial costs if we need to modify our services or infrastructure in order to adapt to changes affecting our market, and we may be unable to adapt to these changes.

The markets for our products are highly competitive and are likely to become more competitive, and our competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements.

We operate in highly competitive markets. In particular, the online insurance distribution market, like the broader electronic commerce market, is rapidly evolving and highly competitive. Our software business also experiences some competition from certain large hardware suppliers that sell systems and systems' components to independent agencies and from small, independent or freelance developers and suppliers of software, who sometimes work in concert with hardware vendors to supply systems to independent agencies. Our Internet business may also face indirect competition from insurance carriers that have subsidiaries which perform in-house agency and brokerage functions.

Some of our current competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. In addition, we believe we will face increasing competition as the online financial services industry develops and evolves. Our current and future competitors may be able to:

- undertake more extensive marketing campaigns for their brands and services;
- devote more resources to website and systems development;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees, online companies and third-party service providers.

If we are unable to protect our intellectual property, our reputation and competitiveness in the marketplace may be materially damaged.

We regard our intellectual property in general and our software in particular as critical to our success. It may be possible for third parties to copy aspects of our products or, without authorization, to obtain and use information that we regard as trade secrets. Existing copyright law affords only limited practical protection, and our software is unpatented.

If we infringe on the proprietary rights of others, we may be at a competitive disadvantage, and any related litigation could be time consuming and costly.

Third parties may claim that we have violated their intellectual property rights. Any of these claims, with or without merit, could subject us to costly litigation and divert the attention of key personnel. To the extent that we violate a patent or other intellectual property right of a third party, we may be prevented from operating our business as planned, and we may be required to pay damages, to obtain a license, if available, to use the right or to use a non-infringing method, if possible, to accomplish our objectives.

We depend on the continued services of our senior management and our ability to attract and retain other key personnel.

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel, particularly Robin Raina, our President and Chief Executive Officer, and Richard J. Baum, our Executive Vice President Finance & Administration, Chief Financial Officer and Secretary. The loss of the services of any of our executive officers or other key employees could harm our business. We have no long-term employment agreements with any of our key personnel, nor do we maintain key man life insurance policies on any of our key employees.

Our future success depends on our continuing to attract, retain and motivate highly skilled employees. If we are not able to attract and retain new personnel, our business will be harmed. Competition for personnel in our industry is intense. We may be unable to retain our key employees or attract, assimilate or retain other highly qualified employees in the future.

Our international operations are subject to a number of risks that could affect our income and growth.

We market our software internationally and plan to expand our Internet services to locations outside of the United States. In addition, commencing in 2002, we began development activities, call center services and other operations in India. Our international operations may not produce enough revenue to justify our investments in establishing them and are subject to other inherent risks, including:

- the impact of recessions in foreign economies on the level of consumers' insurance shopping and purchasing behavior;
- greater difficulty in collecting accounts receivable;
- difficulties and costs of staffing and managing foreign operations;
- reduced protection for intellectual property rights in some countries;
- seasonal reductions in business activity during the summer months in Europe and other parts of the world;
- burdensome regulatory requirements, other trade barriers and differing business practices;
- fluctuations in exchange rates;

potentially adverse tax consequences; and

political and economic instability.

Furthermore, our entry into additional international markets requires significant management attention and financial resources, which could lessen our ability to manage our existing business effectively.

Laws and regulations that govern the insurance industry could expose us or the agents, brokers and carriers who participate in our online marketplace to legal penalties.

We perform functions for licensed insurance agents, brokers and carriers and are, therefore, required to comply with a complex set of rules and regulations that often vary from state to state. These rules and regulations can be difficult to comply with and are ambiguous and open to interpretation. If we fail to properly interpret and/or comply with these rules and regulations, we, the insurance agents, brokers or carriers doing business with us, our officers, or agents with whom we contract could be subject to various sanctions, including censure, fines, cease-and-desist orders, loss of license or other penalties. This risk, as well as other laws and regulations affecting our business and changes in the regulatory climate or the enforcement or interpretation of existing law, could expose us to additional costs, including indemnification of participating insurance agents, brokers or carriers for their costs, and could require changes to our business or otherwise harm our business. Furthermore, because the application of online commerce to the consumer insurance market is relatively new, the impact of current or future regulations on our business is difficult to anticipate. To the extent that there are changes in the rules and regulations regarding the manner in which insurance is sold, our business could be adversely affected.

Our call center business could be adversely affected by equipment or system interruptions at one or more of our call centers.

Our call center business is dependent upon our ability to protect our call centers, including the computer and telecommunications equipment and software systems at those centers, against damage from fire, power loss, telecommunications interruption or failure, natural disaster and other similar events. In the event we experience a temporary or permanent interruption at one or more of our call centers, through casualty, operating malfunction or otherwise, our business could be materially adversely affected.

Governmental regulation of the telemarketing industry may increase our costs and restrict the operation and growth of our call center business.

The telemarketing industry and, therefore, our call center business are subject to an increasing amount of governmental regulation. In particular, telemarketers are now barred from contacting persons who have registered their phone numbers on the National Do Not Call Registry maintained by the Federal Trade Commission. We could be subject to a variety of enforcement or private actions for our failure or the failure of our clients to comply with these regulations. Furthermore, our costs may increase as a result of having to comply with these regulations, and these regulations may limit our call center activities or reduce the demand for our call center services.

The outsourcing of business processes to foreign countries may be perceived negatively, which may reduce the demand for our services and lead to governmental regulation of these activities.

We enable companies to outsource certain business processes, including software development activities and call center services, to our operations in India. There have been some increasingly negative perceptions of the outsourcing of such processes from the U.S. to India, which may reduce the demand for these services and may lead to governmental regulation affecting such activities.

Risks Related to Our Conduct of Business on The Internet

Any disruption of our Internet connections could affect the success of our Internet based products.

Any system failure, including network, software or hardware failure, that causes an interruption in our network or a decrease in responsiveness of our website could result in reduced user traffic and reduced revenue. Continued growth in Internet usage could cause a decrease in the quality of Internet connection service. Websites have experienced service interruptions as a result of outages and other delays occurring throughout the Internet network infrastructure. In addition, there have been several incidents in which individuals have intentionally caused service disruptions of major e-commerce websites. If these outages, delays or service disruptions frequently occur in the future, usage of our website could grow more slowly than anticipated or decline, and we may lose revenues and customers.

If the computer hardware operations that host our website were to experience a system failure, the performance of our website would be harmed. These systems are also vulnerable to damage from fire, floods, earthquakes, acts of terrorism, power loss, telecommunications failures, break-ins and similar events. Our property and business interruption insurance coverage may not be adequate to compensate us for all losses that may occur. In addition, our users depend on Internet service providers, online service providers and other website operators for access to our website. Each of these providers has experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems.

Concerns regarding security of transactions or the transmission of confidential information over the Internet or security problems we experience may prevent us from expanding our business or subject us to legal exposure.

If we do not offer sufficient security features in our online product and service offerings, our products and services may not gain market acceptance, and we could be exposed to legal liability. Despite the measures that we may take, our infrastructure will be potentially vulnerable to physical or electronic break-ins, computer viruses or similar problems. If a person circumvents our security measures, that person could misappropriate proprietary information or disrupt or damage our operations. Security breaches that result in access to confidential information could damage our reputation and subject us to a risk of loss or liability. We may be required to make significant expenditures to protect against or remedy security breaches. Additionally, if we are unable to adequately address our customers' concerns about security, we may have difficulty selling our goods and services.

Uncertainty in the marketplace regarding the use of Internet users' personal information, or proposed legislation limiting such use, could reduce demand for our services and result in increased expenses.

Concern among consumers and legislators regarding the use of personal information gathered from Internet users could create uncertainty in the marketplace. This could reduce demand for our services, increase the cost of doing business as a result of litigation costs or increased service delivery costs, or otherwise harm our business. Legislation has been proposed that would limit the users of personally identifiable information of Internet users gathered online or require online services to establish privacy policies. Many state insurance codes limit the collection and use of personal information by insurance agencies, brokers and carriers or insurance service organizations. Moreover, the Federal Trade Commission has settled a proceeding against one online service that agreed in the settlement to limit the manner in which personal information could be collected from users and provided to third parties.

Future government regulation of the Internet could place financial burdens on our businesses.

Because of the Internet's popularity and increasing use, new laws and regulations directed specifically at e-commerce may be adopted. These laws and regulations may cover issues such as the collection and use of data from website visitors, including the placing of small information files, or "cookies," on a user's hard drive to gather information, and related privacy issues; pricing; taxation; telecommunications over the Internet; content; copyrights; distribution; domain name piracy; and quality of products and services. The enactment of any additional laws or regulations, including international laws and regulations, could impede the growth of our revenue from our Internet operations and place additional financial burdens on our business.

Risks Related To Our Common Stock

The price of our common stock may be extremely volatile.

In some future periods, our results of operations may be below the expectations of public market investors, which could negatively affect the market price of our common stock. Furthermore, the stock market in general has experienced extreme price and volume fluctuations in recent years. We believe that, in the future, the market price of our common stock could fluctuate widely due to variations in our performance and operating results or because of any of the following factors which are, in large part, beyond our control:

- announcements of new services, products, technological innovations, acquisitions or strategic relationships by us or our competitors;

- trends or conditions in the insurance, software, business process outsourcing and Internet markets;

- changes in market valuations of our competitors; and

- general political, economic and market conditions.

In addition, the market prices of securities of technology companies, including our own, have been volatile and have experienced fluctuations that have often been unrelated or disproportionate to operating performance. As a result, you may not be able to sell shares of our common stock at or above the price at which you purchase them. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. If any securities litigation is initiated against us, we could incur substantial costs and our management's attention and resources could be diverted from our business.

The significant concentration of ownership of our common stock will limit your ability to influence corporate actions.

The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and may affect the market price of our common stock. At March 5, 2004, BRiT Insurance Holdings PLC beneficially owned approximately 34.0% of our outstanding common stock and, together with our executive officers and directors, beneficially owned approximately 43.4% of our outstanding common stock. In addition, at March 5, 2004, CF Epic Insurance and General Fund, of which BriT owns approximately 45% of the equity interests, beneficially owned 8.1% of our outstanding common stock. As a result, those stockholders, if they act together, are able to control all matters requiring stockholder approval, including the election of all directors and approval of significant corporate transactions and amendments to our certificate of incorporation. These stockholders may use their ownership position to approve or take actions that are adverse to your interests or prevent the taking of actions that are consistent with your interests.

We may issue equity securities in the future whose terms and rights are superior to those of our common stock.

Our certificate of incorporation authorizes the issuance of up to 2,000,000 shares of preferred stock. No shares of preferred stock are currently outstanding. However, shares of preferred stock may be issued by our board of directors from time to time in one or more series for the consideration, and with the rights and preferences, as our board of directors decides. Any shares of preferred stock that we may issue in the future could be given voting and conversion rights that could dilute the voting power and equity of holders of shares of our common stock and have preferences over the common stock with respect to dividends and in liquidation.

Provisions in our charter and Delaware law may discourage takeover attempts which could preclude our stockholders from receiving a change of control premium.

Our certificate of incorporation could make it more difficult for a third party to acquire control of us, because it gives our Board of Directors the ability to issue shares of preferred stock with rights as they deem appropriate without stockholder approval. In addition, Delaware law contains an anti-takeover provision that could have the effect of delaying or preventing a change in control that stockholders may consider favorable. This provision prohibits us from engaging in a business combination with any significant stockholder for a period of three years from the date the person became a significant stockholder unless specific conditions are met.

Item 2. PROPERTIES

The Company's corporate headquarters are in Schaumburg (a suburb of Chicago), Illinois, where it leases a 2,900 square foot location. Substantially all corporate finance and administrative functions are located in Schaumburg. The Company and its subsidiaries lease additional office space of approximately 9,800 square feet in Atlanta, Georgia. The Company leases office space in the United States, New Zealand, Australia and Singapore for support and sales offices. The Company owns two facilities in India with total square footage of approximately 29,000 square feet. The Indian facilities provide software development and call center services for customers. Management believes its facilities are adequate for its current needs and that suitable additional or substitute space will be available as needed.

Item 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is a party to various legal proceedings. The Company does not expect that any currently pending proceedings will have a material adverse effect on its business, results of operations or financial condition.

On August 11, 2000, the Company was advised that the Securities and Exchange Commission had issued a formal Order of Investigation and subpoenaed documents relating to the Company's financial reporting since April 1, 1997, including, in particular, revenue recognition, software development cost capitalization, royalty costs, and classification of cash receipts. We have submitted documents to the SEC upon the SEC's request as part of the investigation. It is possible that the SEC could impose civil fines and penalties against us. An adverse finding against us by the SEC could negatively impact our stock price. In addition, we may continue to incur expenses associated with responding to this investigation, regardless of its outcome, and this investigation may divert the efforts and attention of our management team from normal business operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's Annual Meeting of Stockholders, held on October 17, 2003, the following members were elected to the Company's Board of Directors, each by the respective vote indicated at the right of such nominee's name:

Nominee	For	Authority Withheld
William R. Baumel	2,179,394	26,390
Douglas C. Chisholm	2,200,941	4,843
Dennis Drislane	2,200,941	4,843
Robin Raina	2,160,659	45,125
William G. Rich	2,160,764	45,020

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market Information

The principal market for the Company's common stock is the NASDAQ SmallCap Market. The Company's common stock trades under the symbol "EBIX." As of March 1, 2004, there were 119 holders of record of the Company's common stock.

The Company has not paid any cash dividends on its common stock to date. The Company currently anticipates that it will retain any future earnings for the development and operation of its business. Accordingly, the Company does not anticipate paying cash dividends on its common stock in the foreseeable future.

The following tables set forth the high and low closing bid prices for the Company's common stock for each calendar quarter in 2003 and 2002. The following stock prices have been adjusted to reflect the 1-for-8 reverse stock split that occurred on October 1, 2002.

Twelve Months Ended December 31, 2003	High	Low
First quarter	$ 3.54	$ 2.83
Second quarter	6.79	2.84
Third quarter	7.20	5.35
Fourth quarter	12.98	5.23

Twelve Months Ended December 31, 2002	High	Low
First quarter	$ 8.00	$ 2.80
Second quarter	6.56	4.00
Third quarter	5.60	2.64
Fourth quarter	4.00	2.45

As of March 1, 2004, there were 2,738,990 shares of the Company's common stock outstanding.

Item 6. SELECTED FINANCIAL DATA

The following data for fiscal years 2003, 2002, and 2001 should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our consolidated financial statements and the related notes and other financial information included herein.

Consolidated Financial Highlights
(In thousands, except per share data)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000	Year Ended December 31, 1999
Results of Operations:					
Revenue	$ 14,433	$ 12,651	$ 12,887	$ 11,764	$ 12,511
Operating income (loss)	1,691	794	201	(11,473)	(19,000)
Net income (loss)	$ 1,669	$ 502	$ 118	$ (11,374)	$ (19,060)
Net income (loss) per share:					
Basic	$ 0.73	$ 0.22	$ 0.06	$ (8.02)	$ (16.43)
Diluted	$ 0.71	$ 0.22	$ 0.06	$ (8.02)	$ (16.43)
Shares used in computing per share data:					
Basic	2,294	2,291	1,920	1,419	1,160
Diluted	2,349	2,293	1,966	1,419	1,160
Financial Position:					
Total assets	$ 11,971	$ 9,966	$ 10,426	$ 6,562	$ 13,389
Short-term debt	73	114	260	238	217
Long-term debt		73	254	317	106
Stockholders' equity (deficit)	$ 6,692	$ 4,725	$ 3,895	$ (3,264)	$ 2,983

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's strategy focuses on the following three areas: (1) worldwide sales and support of agency management systems including EbixASP, (2) expansion of connectivity between consumers, agents, carriers and third party providers and (3) business process outsourcing services, which include software development, call center and back office, either off site or at the Company's facilities. Software delivered online through an ASP model and connectivity products are recorded in services revenue. The Company anticipates that future revenue will be provided principally by international operations, LifeLink, development services, call center services and support.

In 2001, the Company began marketing the EbixASP product and it became available to the general public in 2002. EbixASP is a web-enabled system for insurance agencies to manage their businesses. This product generates revenues through initial registration and ongoing monthly subscription fees based on the number of personnel accessing the software. The Company plans to attempt to enter into at least one joint venture to expand the sale of EbixASP worldwide during 2004. During 2003, the Company recognized revenue of $1,181,000 related to EbixASP.

During 2003, the Company entered into various software and service agreements with BRiT, which beneficially owned approximately 34% of the Company's outstanding common stock at March 5, 2004 (see note 2 to the consolidated financial statements included herein). In addition, at March 5, 2004, CF Epic Insurance and General Fund, of which BRiT owns approximately 45% of the equity interests, beneficially owned 8.1% of the Company's outstanding common stock. Approximately $3,245,000 was recognized as revenue during 2003 from BRiT and its affiliates, representing approximately 23% of the Company's total revenue for that year. Total accounts receivable related to BRiT and its affiliates at

December 31, 2003 were $369,000. The Company expects to continue these types of arrangements with BRiT and its affiliates. These agreements relate to the customization of EbixASP for the European markets in addition to hosting, development, and transaction fees.

The Company also continues to provide its agency management software product line, comprised of "Ebix.global" (formerly cd.global), a modular, state of the art, agency management solution providing flexibility and the ability to handle unstructured data and complex risk, and "Ebix.one" (formerly cd.one), a structured system utilizing many features of the Company's previous products. The Company also continues to support, but no longer sells, six "legacy" products: INfinity, INSIGHT, PC-ELITE, Insurnet, SMART, and Vista. The legacy products provide basic functions such as policy administration, claims handling, accounting and financial reporting. The Company expects to maintain and support the legacy products as long as it believes there is adequate economic and strategic justification. The Company will continue to encourage customers utilizing legacy products to migrate to newer products.

Critical Accounting Policies The Company's "critical accounting policies" are those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain and may change in future periods. We have identified the following as our critical accounting policies: revenue recognition and estimating the allowance for doubtful accounts receivable and income taxes.

Revenue recognition We derive our revenue primarily from two sources: (1) product revenue, which includes software licenses and (2) services and support revenue, which includes software license maintenance, software development, training, consulting and hosting revenue. As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of our revenue for any period if our management made different judgments or utilized different estimates.

In May 2003, the Financial Accounting Standards Board ("FASB") finalized the terms of Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," ("EITF 00-21"), which provides criteria governing how to identify whether goods or services that are to be delivered separately in a bundled sales arrangement should be accounted for separately. Deliverables are accounted for separately if they meet all of the following criteria: a) the delivered items have stand- alone value to the customer; b) the fair value of any undelivered items can be reliably determined; and c) if the arrangement includes a general right of return, delivery of the undelivered items is probable and substantially controlled by the seller. The Company adopted EITF 00-21 on July 1, 2003 for all new revenue arrangements executed subsequent to June 30, 2003 (or significant modification to arrangements existing prior to July 1, 2003). The Company's current policy is to analyze all new revenue arrangements.

To the extent arrangements contain multiple deliverables, the Company performs an analysis of the nature of the deliverables to determine to what extent the deliverables of the arrangement are governed by any higher level literature (as defined in EITF 00-21). EITF 00-21 recognizes arrangements that qualify for treatment under SOP 97-2 and certain arrangements that qualify for contract accounting (i.e. SOP 81-1) as falling under the definition of "higher level literature". The Company applies the provisions of SOP 97-2, as amended by Statement of Position 98-9, "Modifications of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions," to all arrangements which include software deliverables that are considered more than inconsequential to the other elements in the arrangements. For 2003, all of the Company's contracts with multiple deliverables fell under higher level accounting literature under the provisions of SOP 97-2 and/or SOP 81-1.

Although the Company was not impacted in 2003 by the adoption of EITF 00-21, it is possible that EITF 00-21 may affect future periods given the additional revenue streams the Company has initiated, as well as through the acquisition activities of the Company.

The Company recognizes revenue for license fees from its software products upon delivery, provided that the fee is fixed and determinable, acceptance has occurred, collectibility is probable and persuasive evidence of an arrangement exists. Management uses signed contractual agreements as persuasive evidence of an arrangement where fee information is documented. The Company performs credit checks on new customers to verify that collectibility will be probable. Revenue from third party software is derived from the licensing of third party software products in connection with sales of the Company's software licenses, and is generally recognized upon delivery together with the Company's license revenue. Training, data conversion, installation, and consulting services are generally recognized as revenue when the services are performed and collectibility is probable. Revenue for maintenance and support service is recognized ratably over the term of the support agreement.

For software arrangements containing multiple elements, revenue is recognized on delivered elements when vendor-specific objective evidence (VSOE) of fair value has been established on the undelivered elements, applying the residual method of SOP 98-9. Fair value is determined for each undelivered element based on the price charged for the sale of each element separately. In contracts that contain first year maintenance bundled with software fees, unbundling of maintenance is based on the price charged for renewal maintenance. Revenue for maintenance and support service is recognized ratably over the term of the support agreement.

For certain contracts where services are deemed essential to the functionality of the software and the software has not been accepted by the customer, the software and related service revenue are deferred until acceptance has taken place. In addition all costs incurred in connection with these contracts are expensed, when the Company is unable to estimate the total costs to achieve customer acceptance.

Revenues related to EbixASP and other hosting arrangements including monthly fees as well as any initial registration fees and related custom programming, are recognized ratably over the term of the agreement in accordance with Staff Accounting Bulletin ("SAB") 104 "Revenue Recognition." Ebix.mall transaction fees are recognized as revenue as the transactions occur and revenue is earned. Revenue is only recognized when collectiblity is probable.

Deferred revenue includes maintenance and support payments or billings that have been received or recorded prior to performance, and, in certain cases, cash collections, amounts received under multi-element arrangements in which VSOE of undelivered elements does not exist; and initial registration fees and related service fees under hosting agreements. Revenue is recognized when VSOE of the undelivered elements is established, the elements are delivered, or the obligation to deliver the elements is extinguished.

Software arrangements involving significant customization, modification or production are accounted for in accordance with American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance on Construction-Type and Certain Production-Type Contracts," using the percentage-of-completion method. The Company recognizes revenue using actual hours worked as a percentage of total expected hours required by the arrangement, provided that the fee is fixed and determinable, evidence of an arrangement exists and the recovery of any related asset is considered probable.

For business process outsourcing agreements, which include call center services, services are primarily performed on a time and material basis. Revenue is recognized when the service is performed.

Allowance for doubtful accounts receivable The preparation of consolidated financial statements requires our management to make estimates and assumptions that affect the reported amount of assets at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Specifically, our management must make estimates of the collectability of our accounts receivable. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Our accounts receivable balance was $1,787,000, net of an allowance for doubtful accounts of $356,000 as of December 31, 2003.

Income taxes The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Although future taxable income of the Company may be sufficient to utilize a substantial amount of the benefits of the Company's net operating loss carryforwards and to realize its deferred tax assets, a valuation allowance was recorded to offset the carrying value of the Company's deferred tax assets, as management concluded that the realization of its deferred tax assets does not meet the "more likely than not" criteria under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

The Company's estimated effective tax rate for future periods is dependent on the mix of jurisdictions where taxable income is generated. The effective income tax rate for any year or period is not indicative of the future and could fluctuate substantially.

Results of Operations

Ebix, Inc. and Subsidiaries

(In thousands)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Revenue:			
Software	$ 1,498	$ 1,837	$ 2,592
Services and other	12,935	10,814	10,295
Total revenue	14,433	12,651	12,887
Operating expenses:			
Services and other costs	4,210	3,898	4,337
Product development	1,552	1,779	2,033
Sales and marketing	1,616	1,605	2,701
General and administrative	5,364	4,575	3,615
Total operating expenses	12,742	11,857	12,686
Operating income	1,691	794	201

Total Revenue The Company's revenue has been derived from the licensing and sale of proprietary software and third party software ("Software") and from professional services and support services ("Services"). Professional services include consulting, implementation, training and project management provided to the Company's customers with installed systems and those in the process of installing systems. Also included in Services are fees for software license maintenance, initial registration and ongoing monthly subscription fees for the EbixASP product and transaction fees generated from the Ebix.mall website, as well as software development and call center revenue. Total revenue is comprised of Software revenue and Services revenue.

Total revenue for 2003 increased $1,782,000, or 14.1%, from 2002.

Total revenue for 2002 decreased $236,000, or 1.8%, from 2001.

Total software revenue for 2003 decreased $339,000, or 18.5%, from 2002. As the Company has changed its focus to e-commerce products and services, the Company expects future revenue to be comprised primarily of Services revenue.

Total software revenue for 2002 decreased $755,000, or 29.1%, from 2001. This decrease was primarily due to $681,000 of deposit liabilities recognized as revenue during 2001. These deposit liabilities represented cash received in previous years related to products for which customer acceptance occurred in 2001.

Total services revenue for 2003 increased $2,121,000, or 19.6%, from 2002. This increase was due to increases in call center revenue of $626,000, EbixASP revenue of $1,181,000, consulting revenues of $1,566,000, and Ebix.mall revenues of $78,000, partially offset by a decrease in INS-Site revenue of $289,000 and decrease in support revenue associated with legacy products of $1,041,000.
During 2003, 2002, and 2001, approximately $3,245,000, $2,102,000 and $639,000, respectively, was recognized as services revenue from BRiT Insurance Holdings PLC ("BRiT") and its affiliates related to call center and development projects. Revenue from BRiT and its affiliates represented 23%, 17% and 5% of the Company's total revenues for 2003, 2002 and 2001, respectively. BRiT owned approximately 34% of the Company's common stock as of March 5, 2004. In addition, as of March 5, 2004, CF Epic Insurance and General Fund, of which BRiT

owns approximately 45% of the equity interests as of such date, beneficially owned 8.1% of our outstanding common stock.

The revenues from BRiT and its affiliates relate to projects for call center and software development services. Total revenue for 2003 increased $1,782,000 or 14.1% from 2002, and revenue from BRiT in 2003 increased $1,143,000 from 2002. Total revenue for 2002 decreased $236,000 or 1.8% from 2001, while revenue from BRiT in 2002 increased $1,463,000 from 2001. Increases in revenues from BRiT Holdings PLC and its affiliates during each of the periods presented were a result of BRiT Insurance Holdings PLC and its affiliates adding additional development projects and expanding the scope of the current projects.

Support revenue associated with the Company's legacy products is decreasing due to a trend of declining renewals for these older product offerings.

	Support Revenue	Total Revenue
2003	$ 4,146,000	$ 14,433,000
2002	$ 5,188,000	$ 12,651,000
2001	$ 6,285,000	$ 12,887,000

Support revenue decreased $1,042,000, or 20%, and as a percentage of total revenue to 29% from 41%, in 2003 compared to 2002. Support revenue decreased $1,097,000, or 17%, and as a percentage of total revenue to 41% from 49%, in 2002 compared to 2001.

Based on historical data, the Company expects that legacy support revenue will continue to decrease by approximately 20% each year on a declining balance. The Company expects the legacy support revenue will continue as long as it is economically feasible for the Company to maintain and support the legacy products. As revenue from the legacy support decreases, costs will be reduced. When income from legacy support falls below break even, operations will be reviewed to determine if costs can be further reduced for the activity to be profitable and, if not, the Company will discontinue supporting the legacy product. The Company cannot predict when this will occur.

The Company expects that future services revenue will be derived from this support, as well as EbixASP registration and monthly fees, software development and call center and to a much lesser extent, all transaction revenues from Ebix.mall and EbixExchange (INS-Site), conversion and training.

Total services revenue for 2002 increased $519,000, or 5.0%, from 2001. This increase was due to an increase in consulting revenue partially offset by the recognition of $315,000 in 2001 of non-recurring revenue that had been deferred in prior periods and a decrease in support revenue associated with the legacy products. While EbixASP began generating revenue in 2002, most of that revenue was deferred until 2003 due to the initial registration fee and related services being recognized over the subscription period or due to the pending completion of data conversion and training. The Company had entered into 70 EbixASP contracts resulting in deferred revenue of $929,000 at December 31, 2002.

Services and other costs Services and other costs include costs associated with support, call center consulting, implementation and training services.

Total services and other costs for 2003 increased $312,000, or 8.0%, from 2002. This increase was due to the increase in services revenue. Due to a change in the mix of services provided, services with higher costs represented a lower percentage of the total.

Total services and other costs for 2002 decreased $439,000, or 10.1%, from 2001. This decrease was related to a reduction in staffing levels for consultants, trainers and support staff.

Product development expenses

Total product development expenses for 2003 decreased $227,000, or 12.8%, from 2002. The Company has established a wholly-owned subsidiary located in Delhi, India. In May 2002, the Company began to redirect product development activities to employees of its wholly-owned subsidiary that were previously outsourced by the Company, resulting in lower development costs for 2003 compared to 2002.

Total product development expenses for 2002 decreased $254,000, or 12.5%, from 2001. In May 2002, the Company began to redirect product development activities to employees of its wholly-owned subsidiary in India that were previously outsourced by the Company, resulting in lower development costs period over period.

Sales and marketing expenses

Total sales and marketing expenses for 2003 approximated the total sales and marketing expenses from 2002. The sales and marketing focus has remained constant. Management does not anticipate future sales and marketing expenses to fluctuate significantly.

Total sales and marketing expenses for 2002 decreased $1,096,000, or 40.6%, from 2001. This decrease was attributable to a decrease in website related marketing expenses, a decrease in public relation expenses, and a decrease in non-cash warrant expense (as the related warrants were terminated in late 2000 and early 2001).

General and administrative expenses

Total general and administrative expenses for 2003 increased $789,000, or 17.2%, from 2002. This increase was due to an increase in management bonus expenses and an increase in costs related to the start-up of the Indian operations, which were established in May 2002.

Total general and administrative expenses for 2002 increased $960,000, or 26.6%, from 2001. This increase was due to an increase in bad debt expense, professional fees and costs related to the start-up of the Indian operations and the allocation of a greater portion of facilities expense.

Liquidity and Capital Resources

The Company's cash balances at December 31, 2003, 2002 and 2001 were $7,915,000, $4,993,000 and $6,167,000, respectively. The cash balance at March 15, 2004 was approximately $5,598,000.

During 2003, the Company generated operating cash flow of $3,343,000, compared to negative operating cash flow of $742,000 in 2002, due primarily to $1,669,000 in net income (an increase of approximately $1,167,000 from the prior year) and collections of accounts receivables, primarily from BRiT and its affiliates, of $1,062,000 (compared to an increase in accounts receivable of $925,000 in 2002). These accounts receivable arose from services provided (and related revenues which were recognized) in the prior period, and they generated cash in 2003 due to differences in timing from the collections for services provided.

A decrease in negative operating cash flow of $742,000 in 2002 compared to negative operating cash flow of $3,239,000 in 2001 was due principally to an increase in net income of $384,000 and a decrease in deferred revenue of $1,524,000 due to differences in timing from the billing for services and the recognition of revenue related to those services.

During 2003, cash used in investing activities of $555,000 (an increase of approximately $17,000 over the prior year as discussed below) represented capital expenditures made as a result of the Company's investment in India and the related purchase of assets for that location. The cash provided by financing activities of $34,000 in 2003 (compared to cash used in financing activities in the prior year as discussed below) resulted from the Company's proceeds from the exercise of common stock options partially offset by the repayment of debt obligations.

During 2002, cash used in investing activities of $538,000 (an increase of approximately $18,000 over the prior year as discussed below) represented capital expenditures made as a result of the Company's investment in India and the related purchase of assets for that location. The cash used in financing activities of $221,000 in 2002 (compared to cash provided by financing activities in the prior year as discussed below) resulted from the Company's repayment of debt obligations.

During 2001, cash used in investing activities of $520,000 represented the capitalization of software development costs related to the development of EbixASP of $327,000 and capital expenditures of $193,000. The cash provided by financing activities of $6,830,000 in 2001, was primarily a result of the proceeds from the issuance of common stock of approximately $6,871,000, net of expenses.

During early 2004, the Company sold 222,223 shares of its previously unissued common stock to CF Epic Insurance and General Fund, an investment fund located in London of which BriT owns approximately 45% of the equity interests, for gross proceeds of $3,000,010, or $13.50 per share.

On February 23, 2004 the Company acquired LifeLink Corporation ("LifeLink"). Under the terms of the agreement, the Company acquired all of the outstanding capital stock of LifeLink from the shareholders in exchange for an aggregate purchase price of $10,500,000 payable as follows: $5,000,000 paid in cash at closing, $2,500,000 payable in cash over a period of five years, and $3,000,000 payable in 200,000 shares of the common stock of the Company issued at the time of closing (see note 13 to the financial statements included in this Form 10-K).

In February 2004, the Company entered into a $5,000,000 revolving line of credit, secured by a perfected first security interest in the Company's assets, and dependent on a borrowing base formula, with interest payable on outstanding borrowings at the prime rate. There were no borrowings on this line as of March 19, 2004.

In 2003, 23% and 11% of the Company's total revenues were from two customers BRiT and its affiliates and AON, respectively. Neither BRiT nor AON have long-term agreements with the Company that provide certainty that such revenues and related cash flows will be recurring.

In planning for its capital needs, the Company takes into account its sources of cash, which include operating cash flow, cash balances and funds from credit facilities, and anticipated future cash needs, which include working capital requirements for operations, capital expenditures, and expenditures for business acquisitions. Based on these considerations, the Company believes it will have sufficient cash for operations and to satisfy its contractual obligations for at least the next several years.

	Payment Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
			(in thousands)		
Contractual Obligations:					
Long-Term Debt Obligations					
Operating Leases Obligations	$ 2,152	$ 579	$ 701	$ 445	$ 427
Capital Leases Obligations	73	73			
Total	$ 2,225	$ 652	$ 701	$ 445	$ 427

Impact of Recently Issued Accounting Standards In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"), addressing how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of at least the undelivered items; and (3) delivery of any undelivered item is probable. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or meeting other specified performance conditions. The final consensus is applicable for any new (current contracts or agreements were not affected) arrangements entered into after July 1, 2003. This could have a material impact on the consolidated financial statements in the future.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 requires that certain financial instruments with characteristics of both liabilities and equity be classified as liabilities. In November 2003, the FASB deferred application of certain provisions of Statement 150 through FASB Staff Position (FSP) 150-3 which eliminates the disclosure requirements for certain mandatory redeemable instruments and prohibits early adoption for instruments within the scope of the deferrals established by FSP 150-3. As a result of FSP 150-3, the adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows in fiscal year 2003. However, the Company is in the process of assessing the impact of this statement on a go-forward basis.

Quarterly Financial Information (unaudited):

The following is the unaudited quarterly financial information for 2003 and 2002:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except share data)			
Year Ended December 31, 2003				
Total revenues	$ 3,612	$ 3,295	$ 4,168	$ 3,358
Operating income	622	218	659	192
Net income	516	89	575	489
Net income per common share:				
Basic	$ 0.23	$ 0.04	$ 0.25	$ 0.21
Diluted	$ 0.23	$ 0.04	$ 0.24	$ 0.20
Year Ended December 31, 2002				
Total revenues	$ 3,345	$ 2,725	$ 3,676	$ 2,905
Operating income	305	4	465	20
Net income (loss)	198	17	502	(215)
Net income (loss) per common share:				
Basic	$ 0.09	$ 0.01	$ 0.22	$ (0.09)
Diluted	$ 0.09	$ 0.01	$ 0.22	$ (0.09)

Safe Harbor for Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995 This Annual Report on Form 10-K contains various forward-looking statements and information that are based on management's beliefs, as well as assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, acceptance of the Company's products by the market and management's plans and objectives. The Company has tried to identify such forward looking statements by use of words such as "expects," "intends," "anticipates," "plans," "believes," "will," "should," and similar expressions, but these words are not the exclusive means of identifying such statements. The forward looking statements included in this Annual Report are subject to various risks, uncertainties and other factors which could cause actual results to vary materially from those expressed in, or implied by, the forward looking statements. Such risks, uncertainties and other factors include the extent to which the Company's Ebix.com website and other new products can be successfully developed and marketed, the possible effects of the Securities and Exchange Commission's investigation of the

Company's financial reporting, the risks associated with future acquisitions, the willingness of independent insurance agencies to outsource their computer and other processing needs to third parties, the Company's ability to continue to develop new products to effectively address market needs in an industry characterized by rapid technological change, the Company's dependence on the insurance industry (and in particular independent agents), the highly competitive and rapidly changing automation systems market, the Company's ability to effectively protect its applications software and other proprietary information, the Company's ability to attract and retain quality management, and software, technical sales and other personnel, the potential negative impact on the Company's outsourcing business in India from adverse publicity and possible governmental regulation, the risks of disruption of the Company's Internet connections or internal service problems, the possibly adverse effects of a substantial increase in volume of traffic on the Company's website, mainframe and other servers, possible security breaches on the Company's website, the possible effects of insurance regulation on the Company's business and possible future terrorist attacks or acts of war. Certain of these, as well as other, risks, uncertainties and other factors are described in more detail in this Annual Report on Form 10-K, included under "Item 1. Business Risk Factors." Except as expressly required by the federal securities laws, the Company undertakes no obligation to update any such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events or developments or changed circumstances or for any other reason.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to certain market risks, including foreign currency and interest rates. The Company has foreign subsidiaries in Australia, Canada, India, New Zealand and Singapore that develop and sell software products and services in those respective countries. The Company is exposed to potential gains and losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. The Company's primary exposure is to changes in exchange rates for the U.S. Dollar versus the Australian, Canadian, New Zealand, Singapore and Indian currencies.

In 2003, 2002 and 2001, the net change in the cumulative foreign currency translation adjustment account, which is a component of stockholders' equity, was an unrealized gain of $100,000, $327,000 and $36,000, respectively.

The Company's exposure to interest rate risk relates to its debt obligations and to its interest income as it relates to the outstanding cash balances. As of December 31, 2003, the Company had no debt outstanding. The Company's market risk at December 31, 2003, is the potential loss of interest income arising from adverse changes in interest rates. Interest rate risk is estimated as the potential decrease in pre-tax income resulting from a hypothetical 10% decrease in effective interest rates on the Company's outstanding cash balance. The Company does not feel such a loss of interest income would be significant to the results of operations.

The Company does not currently use any derivative financial instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Ebix, Inc.:

We have audited the accompanying consolidated balance sheets of Ebix, Inc. and subsidiaries (formerly ebix.com, Inc.) (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule listed in Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ebix, Inc. and subsidiaries as of December 31, 2003 and 2002 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with United States generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002.

/s/ KPMG LLP

Chicago, Illinois
March 19, 2004

Ebix, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share amounts)

	December 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,915	$ 4,993
Accounts receivable, less allowances of $356 and $634	1,787	2,863
Other current assets	364	340
Total current assets	10,066	8,196
Property and equipment, net	1,353	1,131
Capitalized software, net	109	218
Other assets	443	421
Total assets	$ 11,971	$ 9,966
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,778	$ 1,833
Accrued payroll and related benefits	1,287	342
Current portion of capital lease obligation	73	114
Deferred revenue	2,141	2,879
Total current liabilities	5,279	5,168
Capital lease obligation, less current portion		73
Total liabilities	5,279	5,241
Stockholders' equity:		
Convertible Series D Preferred stock, $.10 par value, 2,000,000 shares authorized, no shares issued and outstanding at December 31, 2003 and December 31, 2002		
Common stock, $.10 par value, 40,000,000 shares authorized, 2,316,767 and 2,291,143 issued and outstanding at December 31, 2003 and December 31, 2002, respectively	232	229
Additional paid-in capital	88,706	88,441
Deferred compensation	(436)	(366)
Accumulated deficit	(82,251)	(83,920)
Accumulated other comprehensive income	441	341
Total stockholders' equity	6,692	4,725
Total liabilities and stockholders' equity	$ 11,971	$ 9,966

See accompanying notes to consolidated financial statements.

Ebix, Inc. and Subsidiaries

Consolidated Statements of Income

(In thousands, except per share amounts)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Revenue:			
Software	$ 1,498	$ 1,837	$ 2,592
Services and other (Including revenues from related parties of $3,245, $2,102 and $639, respectively. See Note 2)	12,935	10,814	10,295
Total revenue	14,433	12,651	12,887
Operating expenses:			
Services and other costs	4,210	3,898	4,337
Product development	1,552	1,779	2,033
Sales and marketing	1,616	1,605	2,701
General and administrative	5,364	4,575	3,615
Total operating expenses	12,742	11,857	12,686
Operating income	1,691	794	201
Interest income	78	89	130
Interest expense	(17)	(39)	(72)
Foreign exchange gain (loss)	13	(255)	(8)
Income before income taxes	1,765	589	251
Income tax provision	(96)	(87)	(133)
Net income	$ 1,669	$ 502	$ 118
Basic earnings per common share	$ 0.73	$ 0.22	$ 0.06
Diluted earnings per common share	$ 0.71	$ 0.22	$ 0.06
Basic weighted average shares outstanding	2,294	2,291	1,920
Diluted weighted average shares outstanding	2,349	2,293	1,966

See accompanying notes to consolidated financial statements.

Ebix, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(In thousands, except share amounts)

	Preferred Stock		Common Stock							
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Deferred Compensation**	**Accumulated Deficit**	**Accumulated Other Comprehensive (Loss) Income**	**Total**	**Comprehensive Income**
Balance, December 31, 2000		$	1,422,773	$ 142	$ 81,582	$ (426)	$ (84,540)	$ (22)	$ (3,264)	
Net income							118		118	$ 118
Cumulative translation adjustment								36	36	36
Comprehensive income										$ 154
Net proceeds from issuance of common stock			868,000	87	6,784				6,871	
Deferred compensation and amortization related to options and warrants					148	(14)			134	
Balance, December 31, 2001		$	2,290,773	$ 229	$ 88,514	$ (440)	$ (84,422)	$ 14	$ 3,895	
Net income							502		502	$ 502
Cumulative translation adjustment								327	327	327
Comprehensive income										$ 829
Shares issued to round fractional shares related to reverse stock split			370							
Deferred compensation and amortization related to options and warrants					(73)	74			1	
Balance, December 31, 2002		$	2,291,143	$ 229	$ 88,441	$ (366)	$ (83,920)	$ 341	$ 4,725	
Net income							1,669		1,669	$ 1,669
Cumulative translation adjustment								100	100	100
Comprehensive income										$ 1,769
Exercise of stock options			25,624	3	145				148	
Deferred compensation and amortization related to options					120	(70)			50	
Balance, December 31, 2003		$	2,316,767	$ 232	$ 88,706	$ (436)	$ (82,251)	$ 441	$ 6,692	

See accompanying notes to consolidated financial statements.

Ebix, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Cash flows from operating activities:			
Net income	$ 1,669	$ 502	$ 118
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	442	385	438
Provision for doubtful accounts	14	509	20
Stock-based compensation	50	1	134
Changes in current assets and liabilities:			
Accounts receivable	1,062	(925)	(475)
Other assets	(46)	(145)	(220)
Accounts payable and accrued expenses	(55)	(1,049)	(1,550)
Accrued payroll and related benefits	945	(32)	(180)
Deferred revenue	(738)	12	(1,524)
Net cash provided by (used in) operating activities	3,343	(742)	(3,239)
Cash flows from investing activities:			
Software development costs			(327)
Capital expenditures	(555)	(538)	(193)
Net cash used in investing activities	(555)	(538)	(520)
Cash flows from financing activities:			
Proceeds from the issuance of common stock, net of issuance costs			6,871
Proceeds from borrowings			93
Repayments of debt		(87)	(6)
Payments for capital lease obligations	(114)	(134)	(128)
Proceeds from exercise of common stock options	148		
Net cash provided by (used in) financing activities	34	(221)	6,830
Effect of foreign exchange rates on cash and cash equivalents	100	327	36
Net change in cash and cash equivalents	2,922	(1,174)	3,107
Cash and cash equivalents at the beginning of the year	4,993	6,167	3,060
Cash and cash equivalents at the end of the year	$ 7,915	$ 4,993	$ 6,167
Supplemental disclosures of cash flow information:			
Interest paid	$ 17	$ 35	$ 72
Income taxes paid	341		124

See accompanying notes to consolidated financial statements.

Ebix, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(All dollar amounts in thousands, except per share data)

Note 1 Description of Business and Summary of Significant Accounting Policies:

Nature of Business Ebix, Inc. and subsidiaries (the "Company") market software to insurance agents and brokers operating in the insurance industry and provide customer support and maintenance services. In addition, the Company provides other implementation and consulting services such as training, data conversion, installation, software development and call center. The Company's product strategy focuses on the following three areas: (1) the worldwide sales and support of agency management systems including EbixASP, (2) expansion of connectivity between consumers, agents, carriers and third party providers and (3) business process outsourcing services, which include software development, call center and back office, either off site or at the Company's facilities.

Consolidation The consolidated financial statements include the accounts of Ebix, Inc., ("Ebix USA"), its wholly-owned subsidiary, Delphi Information Systems International, Inc. ("Delphi International"), both Delaware corporations and its wholly owned subsidiary ebix Software India Private Limited and all subsidiaries of Delphi International.

Reclassification Certain prior year amounts have been reclassified to conform to the 2003 presentation.

Reverse Stock Split On October 1, 2002, the Company's common stock began trading on a 1-for-8 reverse split basis. The Company's stockholders approved the reverse stock split at a special meeting of stockholders held on September 30, 2002. The reverse stock split was intended to return the Company to compliance with the continued listing standards of the NASDAQ SmallCap Market, in particular the minimum bid price requirement. All share information in these consolidated financial statements and footnotes have been retroactively adjusted to reflect the reverse stock split.

Revenue Recognition We apply the provisions of Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended by Statement of Position 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions," to all transactions involving the sale of software.

In May 2003, the Financial Accounting Standards Board ("FASB") finalized the terms of Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," (EITF 00-21), which provides criteria governing how to identify whether goods or services that are to be delivered separately in a bundled sales arrangement should be accounted for separately. Deliverables are accounted for separately if they meet all of the following: a) the delivered items have stand-alone value to the customer; b) the fair value of any undelivered items can be reliably determined; and c) if the arrangement includes a general right of return, delivery of the undelivered items is probable and substantially controlled by the seller. The Company adopted EITF 00-21 on July 1, 2003 for all new revenue arrangements executed subsequent to June 30, 2003 (or significant modification to arrangements existing prior to July 1, 2003). The Company's current policy is to analyze all new revenue arrangements.

To the extent arrangements contain multiple deliverables, the Company performs an analysis of the nature of the deliverables to determine to what extent the deliverables of the arrangement are governed by any higher level literature (as defined in EITF 00-21). EITF 00-21 recognizes arrangements that qualify for treatment under SOP 97-2 and certain arrangements that qualify for contract accounting (i.e. SOP 81-1) as falling under the definition of "higher level literature". The Company applies the provisions of SOP 97-2, as amended by Statement of Position 98-9, "Modifications of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions," to all arrangements which include software deliverables that are considered more than inconsequential to the other elements in the arrangements. For 2003, all of the Company's contracts with multiple deliverables have fallen under higher level accounting literature under the provisions of SOP 97-2 and/or SOP 81-1.

Although the Company has not been impacted in the current year by the adoption of EITF 00-21, it is possible that EITF 00-21 may affect future periods given the additional revenue streams the Company has initiated, as well as through the acquisition activities of the Company.

The Company recognizes revenue for license fees from its software products upon delivery, provided that the fee is fixed and determinable, acceptance has occurred, collectibility is probable and persuasive evidence of an arrangement exists. Revenue from third party software is derived from the licensing of third party software products in connection with sales of the Company's software licenses, and is generally recognized upon delivery together with the Company's license revenue. Training, data conversion, installation, and consulting services are generally recognized as revenue when the services are performed and collectibility is probable. Revenue for maintenance and support service is recognized ratably over the term of the support agreement.

For arrangements containing multiple elements, revenue is recognized on delivered elements when vendor-specific objective evidence ("VSOE") of fair value has been established on the undelivered elements, applying the residual method of SOP 98-9. Fair value is determined for each undelivered element based on the price charged for the sale of each element separately. In contracts that contain first year maintenance bundled with software fees, unbundling of maintenance is based on the price charged for renewal maintenance. Revenue for maintenance and support service is recognized ratably over the term of the support agreement.

For certain contracts where services are deemed essential to the functionality of the software and the software has not been accepted by the customer, the software and related service revenue have been deferred until acceptance has taken place. In addition, all costs incurred in connection with these contracts have been expensed, as the Company has been unable to estimate the total costs to achieve customer acceptance.

Revenues related to EbixASP and other hosting arrangements, including monthly fees as well as any initial registration fees and related custom programming, are recognized ratably over the term of the agreement in accordance with Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition". Ebix.mall transaction fees are recognized as revenue as the transactions occur and revenue is earned. Revenue is only recognized when collectiblity is probable.

Deferred revenue includes maintenance and support payments that have been received or billings recorded prior to performance and in certain cases, cash collections, amounts received under multi-element arrangements in which VSOE of undelivered elements does not exist; and initial registration fees and related service fees under hosting agreements. Revenue is recognized when VSOE of the undelivered elements is established, the elements are delivered, or the obligation to deliver the elements is extinguished.

Software arrangements involving significant customization, modification or production are accounted for in accordance with American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance on Construction-Type and Certain Production-Type Contracts," using the percentage-of-completion method. The Company recognizes revenue using actual hours worked as a percentage of total expected hours required by the arrangement, provided that the fee is fixed and determinable, there is evidence of an arrangement and recovery of any related recorded asset is considered probable.

For business process outsourcing agreements, which include call center services, services are primarily performed on a time and material basis. Revenue is recognized when the service is performed.

Cash and Cash Equivalents The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. Such investments are stated at cost which approximates fair value.

Accounting for the Impairment of Long-Lived Assets Long-lived assets and certain identifiable intangibles held and used by any entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an indication of a potential impairment exists, recoverability of the respective assets are determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate, to the carrying amount, including associated intangible assets, of such operation. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets. In determining the estimated future cash flows, the Company considers current and projected future levels of income as well as business trends, prospects and market and economic conditions.

The carrying amount of the Company's long-lived assets at December 31, 2003 and 2002 primarily represented the original amounts invested less the recorded depreciation and amortization. Based on the analysis performed by management, the Company does not believe the carrying value of its long lived assets were impaired as of December 31, 2003.

Internal Use Software The Company accounts for software costs for internal use software under the provisions of SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Accordingly, certain costs to develop internal-use computer software are capitalized, provided these costs are expected to be recoverable. There were no costs capitalized during 2003, 2002 or 2001.

Software Development Costs The Company's policy is to capitalize internally generated software development costs and purchased software in compliance with Statement Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software To Be Sold, Leased or Otherwise Marketed." Under SFAS No. 86, capitalization of software development costs begins upon the establishment of technological feasibility of the product and continues through the point of general release of the product. The ongoing assessment of the recoverability of these costs considers external factors including, but not limited to, anticipated future gross product revenues, estimated economic life and changes in software and hardware technology. During 2003 and 2002, the Company did not have any expenses eligible for capitalization under SFAS No. 86, given that costs incurred were primarily related to maintenance or were due to the provision of support on previously released software products. During 2001, the Company capitalized $327 related to the development of EbixASP and commenced amortization in 2002 over a period of 36 months.

Property and Equipment Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the shorter of the expected life of the improvements or the remaining lease term. Repairs and maintenance are charged to expense as incurred and major improvements that extend the life of the asset are capitalized and amortized over the expected life of the improvement. Gains and losses resulting from sales or retirements are recorded as incurred, at which time related costs and accumulated depreciation are removed from the accounts. The estimated useful lives applied by the Company are as follows:

Asset Category	Life
Computer equipment	5
Computer software	3-5
Furniture, fixtures and other leasehold improvements	7
Buildings	30

Goodwill In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which supercedes Accounting Principles Board ("APB") Opinion No. 17, "Intangible Assets." SFAS No. 142 addresses how intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. SFAS No. 142 also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. SFAS No. 142 is required to be applied at the beginning of the entity's fiscal year and to be applied to goodwill and other intangible assets recognized in its financial statements at that date. As of January 1, 2002, the Company adopted SFAS No. 142, which eliminated the requirement to amortize goodwill. As of January 1, 2002, the date of adoption, the Company had unamortized goodwill in the amount of approximately $265, which has been subjected to the transition provisions, including the phase-in and annual impairment test, of SFAS No. 142 and will not be amortized going forward. During 2002, an additional $59 of goodwill was recorded as a result of contingent consideration related to a prior acquisition. The following table is a reconciliation of reported net income and basic and diluted net income per share to adjusted net income and basic and diluted net income per share reflecting the impact of SFAS No. 142 as if it had been effective for the year ended December 31, 2001:

	Year Ended December 31,		
	2003	2002	2001
Reported net income	$ 1,669	$ 502	$ 118
Goodwill amortization			210
Adjusted net income	$ 1,669	$ 502	$ 328
Per share data basic:			
Reported net income	$ 0.73	$ 0.22	$ 0.06
Goodwill amortization			0.11
Adjusted net income	$ 0.73	$ 0.22	$ 0.17
Per share data diluted:			
Reported net income	$ 0.71	$ 0.22	$ 0.06
Goodwill amortization			0.11
Adjusted net income	$ 0.71	$ 0.22	$ 0.17

Income Taxes The Company follows the asset and liability method of accounting for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and operating loss and tax credit carryforwards and their financial reporting amounts at each year-end using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is recorded for the portion of the deferred tax assets that are not expected to be realized based on the levels of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible.

Earnings Per Share Basic earnings per share ("EPS") is equal to net income divided by the weighted average number of shares of common stock outstanding for the period. The weighted average number of common shares outstanding for 2003, 2002 and 2001 were 2,293,580, 2,290,866 and 1,919,869, respectively. Diluted EPS is calculated as if the Company had additional common stock outstanding from the beginning of the year or the date of grant for all common stock equivalents, net of assumed repurchased shares using the treasury stock method. Diluted EPS recognizes the dilutive effect of common stock equivalents and is equal to net income divided by the sum of the weighted average number of shares outstanding and common stock equivalents. During 2003 and 2002, the Company's common stock equivalents consisted of stock options. During 2001, the Company's common stock equivalents consisted of stock options and common stock warrants. During 2003, the effect of this calculation resulted in an increase in the weighted average number of shares outstanding of 55,776. During 2002, the effect of this calculation resulted in an increase in the weighted average number of shares outstanding of 2,383. During 2001, the effect of this calculation resulted in an increase in the weighted average number of shares outstanding of 46,299. At December 31, 2003, December 31, 2002 and December 31, 2001, the fully diluted weighted average number of shares outstanding was 2,349,356, 2,293,249 and 1,966,168, respectively. At December 31, 2003, December 31, 2002 and December 31, 2001, there were 604,106, 599,010 and 330,431 shares, respectively, potentially issuable with respect to outstanding stock options and warrants, which could dilute Basic EPS in the future which were excluded from the diluted EPS calculation because their effect was antidilutive.

Foreign Currency Translation The functional currency of the Company's foreign subsidiaries is the local currency of the country in which the subsidiary operates. The assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the rates of exchange at the balance sheet dates. Income and expense accounts are translated at the average exchange rates in effect during the period. Gains and losses resulting from translation adjustments are included in the accompanying consolidated statements of stockholders' equity. Foreign exchange transaction gains and losses are recorded in foreign exchange gain (loss).

Use of Estimates The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", established reporting standards for companies operating in more than one business segment. Since the Company manages its business as a single entity that provides software and related services to a single industry on a worldwide basis, the Company reports as a single segment. The applicable enterprise-wide disclosures required by SFAS No. 131 are included in note 12.

Concentrations The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and temporary investments with high quality financial institutions. Temporary investments are valued at the lower of cost or market and at the balance sheet dates approximate fair market value. In 2003 and 2002, BRiT Insurance Holdings PLC and its affiliates, accounted for approximately 23% and 17%, respectively, of consolidated revenue. Accounts receivable relating to this customer at December 31, 2003 and December 31, 2002 were $369 and $869, respectively (see note 2). In addition to BriT and its affiliates, one international customer, AON, accounted for approximately 11% of consolidated revenue for the year ended December 31, 2003. In 2001, one domestic customer (including its foreign subsidiary), AON, accounted for approximately 10% of consolidated revenue. There were no accounts receivable relating to this customer at December 31, 2001.

The Company currently utilizes hardware, software and services that support its website from two third-party vendors under operating service agreements. Although there is a limited number of website service companies, management believes that other vendors could provide the Company with these website services. The terms of the current operating service agreements provide for fixed and variable payments, which are based on revenues realized by the Company.

Employee Stock Options At December 31, 2003, the Company has three stock-based employee compensation plans, which are more fully described in note 10. The Company accounts for stock options issued to employees in accordance with APB Opinion No. 25, "Accounting for Stock Issued to

Employees." The Company has adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure an Amendment to FASB Statement No. 123," for options and warrants issued to employees. Under APB Opinion No. 25, compensation expense is based on the difference, if any, on the measurement date, between the estimated fair value of the Company's stock and the exercise price of options to purchase that stock. Any resulting compensation expense is amortized on a straight-line basis over the vesting period of the options.

The Company applies APB Opinion No. 25 and related Interpretations in accounting for its employee stock-based compensation plans. Had compensation cost for these stock-based compensation plans been determined based on the fair value method prescribed by SFAS No. 123, using the Black-Scholes option-pricing model with the assumptions summarized in Note 10, the Company's net income and net income per share would have been the pro forma amounts indicated below:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Net income, as reported	$ 1,669	$ 502	$ 118
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	10		
Deduct: Total stock-based employee compensation expense determined under the fair-value based method for employee awards, net of related tax effects	(916)	(870)	(937)
Pro forma net income (loss)	$ 763	$ (368)	$ (819)
Basic earnings per share, as reported	$ 0.73	$ 0.22	$ 0.06
Diluted earnings per share, as reported	$ 0.71	$ 0.22	$ 0.06
Basic earnings (loss) per share, pro forma	$ 0.33	$ (0.16)	$ (0.43)
Diluted earnings (loss) per share, pro forma	$ 0.32	$ (0.16)	$ (0.43)

Non-employee Stock Compensation The Company accounts for stock based compensation issued to non-employees in accordance with SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in conjunction with Selling Goods or Services." SFAS No. 123 establishes a fair value based method of accounting for stock-based compensation plans. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award, which is calculated using an option pricing model, and is recognized over the service period, which is usually the vesting period.

Advertising Advertising costs are expensed as incurred. Advertising costs amounted to $150, $120 and $1,004 in 2003, 2002 and 2001, respectively, and are included in sales and marketing expenses in the accompanying consolidated statements of income.

Fair Value of Financial Instruments The following disclosures of the estimated fair value of financial instruments were made in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies.

The Company believes the carrying amount of cash equivalents, accounts receivable, accounts payable, accrued expenses, accrued payroll and related benefits, and capital lease obligations is a reasonable estimate of their fair value due to the short maturity of these items.

Note 2 BRiT Insurance Holdings PLC:

In 2001, the Company issued 868,000 shares of common stock to BRiT Insurance Holdings PLC ("BRiT"), for $7,000. The total shares held by BRiT at December 31, 2003 was 930,163, representing an equity ownership of 34 percent (see note 13).

During 2003, 2002 and 2001, the Company entered into various software and service agreements with BRiT. Approximately $3,245 was recognized as revenue during 2003 from BRiT and its affiliates. Total accounts receivable from BRiT and its affiliates at December 31, 2003 were $369. Approximately $2,100 was recognized as revenue during 2002 from BRiT and its affiliates. Total accounts receivable from BRiT and its affiliates at December 31, 2002 were $869. Approximately $639 was recognized as revenue during 2001 from BRiT and its affiliates. Total accounts receivable from BRiT and its affiliates at December 31, 2001 were $38.

Note 3 Stockholders' Equity:

Warrants In connection with a 1996 private equity placement, the Company issued a warrant to the placement agent (the "Agent's Warrant") to purchase 25,000 shares of the Company's common stock at $40.00 per share. The Agent's Warrant was not subject to redemption and expired on April 19, 2002.

Note 4 Property and Equipment:

Property and equipment at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Computer equipment and purchased software	$ 1,692	$ 1,461
Buildings	345	128
Land	108	103
Leasehold improvements	13	50
Furniture, fixtures and other	266	127
	2,424	1,869
Less accumulated depreciation and amortization	(1,071)	(738)
	$ 1,353	$ 1,131

Depreciation and amortization expense was $333, $276, and $228 in 2003, 2002 and 2001, respectively.

Note 5 Line of Credit:

In October 2002, the Company entered into a revolving line of credit, secured by a perfected first security interest in the Company's assets, for $1,000 with interest payable on outstanding borrowings at the prime rate. There were no borrowings on the line as of December 31, 2003.

In February 2004, the Company replaced the $1,000 line of credit by entering into a new $5,000 revolving line of credit, secured by a perfected first security interest in the Company's assets, and dependent on a borrowing base formula, with interest payable on outstanding borrowings at prime rate. There were no borrowings on this line as of March 19, 2004.

Note 6 Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses at December 31, 2003 and December 31, 2002, consisted of the following:

	2003	2002
Trade accounts payable	$ 523	$ 715
Accrued royalty	63	63
Accrued professional fees	292	205
Accrued other liabilities	900	850
	$ 1,778	$ 1,833

Note 7 Income Taxes:

Income (loss) before income taxes consisted of:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Domestic	$ 776	$ 67	$ (299)
Foreign	989	522	550
Total	$ 1,765	$ 589	251

The income tax provision consisted of:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
U.S. Federal	$ (241)	$	$
State			
Foreign	337	87	133
Total	$ 96	$ 87	$ 133

The income tax provision at the Federal statutory rate differs from the effective rate because of the following items:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Statutory rate	34.0%	34.0%	34.0%
Change in valuation allowance	(18.2)%	(11.7)%	13.0%
Effect of foreign tax rate other than 34%	0%	(15.3)%	(21.5)%
Reversal of accrual for tax exposures	(15.3)%		
Other	1.7%		
Permanent differences	3.2%	7.8%	27.5%
Effective rate	5.4%	14.8%	53.0%

Deferred income taxes reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities as of December 31, 2003 and 2002 were as follows:

	December 31, 2003 Deferred		December 31, 2002 Deferred	
	Assets	Liabilities	Assets	Liabilities
Depreciation	$	$ 142	$	$ 144
Accruals	322		106	
Capitalized software		39		74
Bad debts	116		208	
NOL carryforwards	22,214		23,444	
Tax credit carryforwards	298		378	
	22,950	181	24,136	218
Valuation allowance	(22,769)		(23,918)	
Total deferred taxes	$ 181	$ 181	$ 218	$ 218

Due to the uncertainty of realizing any of the net deferred tax assets, the Company has provided a valuation allowance against the entire net amount. In addition, in 2003 certain net operating losses and tax credit carryforwards expired. The impact of the valuation allowance and the effective tax rate is shown net of the effect of expiring operating losses and tax credit carryforwards.

At December 31, 2003, the Company had available domestic net operating loss carryforwards of approximately $65,082 which are available to offset future Federal income taxes, if any, through 2022, and investment business tax credit carryforwards of approximately $298 which are available to offset future Federal income taxes, if any, through 2009. A change in ownership for income tax purposes resulted from the issuance of common stock to BRiT. As a consequence, the utilization of tax credits and net operating losses will be limited in the future. Based on yearly limitations and dependent on future earnings, approximately $45,000 of the net operating loss carryforwards may not be utilized.

Note 8 Commitments and Contingencies:

Lease Commitments:

The Company leases office space under noncancelable operating leases with expiration dates ranging through 2010, with various renewal options. Capital leases range from three to five years and are primarily for computer equipment. Assets under capital leases at December 31, 2003 and December 31, 2002 totaled $500 each year and accumulated amortization was $307 and $236, respectively.

Commitments for minimum rentals under noncancellable leases as of December 31, 2003 were as follows:

Year	Capital Leases	Operating Leases
2004	$ 76	$ 579
2005		436
2006		265
2007		220
2008		225
Thereafter		427
Total minimum lease commitments	$ 76	$ 2,152
Less: amount representing interest	(3)	
Present value of obligations under capital leases	73	
Less: current portion	(73)	
Long-term obligations under capital leases	$ 0	

Rental expense for office facilities and certain equipment subject to operating leases for 2003, 2002, and 2001 was $602, $634 and $630, respectively.

In 2002, sublease income of $388 was offset by sublease expenses of $380. In 2001, sublease income of $432 was more than offset by sublease expenses of $571. There was no sublease income or expense in 2003.

Contingencies:

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Note 9 Cash Option Profit Sharing Plan and Trust:

Effective January 1, 1988, the Company adopted and implemented a 401(k) Cash Option Profit Sharing Plan, which allows participants to contribute a percentage of their compensation to the Profit Sharing Plan and Trust up to the Federal maximum. The Company's contributions to the Plan were approximately $40 for 2003, $42 for 2002, and $45 for 2001.

Note 10 Stock Options:

The Company's 1996 Stock Incentive Plan (the "Plan") provides for the granting of stock options and stock appreciation rights to officers, directors and employees. The total number of shares reserved for grant under the Plan was 337,500 at December 31, 2000. An amendment increasing the number of shares reserved for grant under the Plan by 250,000 was adopted by the Board of Directors and approved by the Company's stockholders on May 30, 2001. A third amendment increasing the number of shares reserved for grant under the Plan by 250,000 was adopted by the Board of Directors and approved by the Company's stockholders on September 30, 2002. Accordingly, the total number of shares reserved for grant under the Plan is 837,500. Options granted under this Plan may be incentive stock options as defined under current tax laws or nonstatutory options. Options are granted at prices determined by the Board of Directors (not less than 100 percent of the market price of the stock at the time of grant for incentive stock options and 110 percent with respect to incentive stock options granted to optionees who own 10 percent or more of the Company's stock). Stock options under this plan generally become exercisable with respect to the underlying shares of Common Stock as follows: 25 percent become exercisable on the first anniversary of the date of grant and the remaining 75% of the options become exercisable ratably each quarter over the next three years. All options must be exercised within ten years of the date of grant (with respect to incentive stock optionees owning 10 percent or more of the Company's stock, the term may be no longer than five years). No stock appreciation rights have been issued under the Plan or are outstanding at December 31, 2003.

During 2001, the Company initiated the 2001 Stock Incentive Plan (the "2001 Plan"), which provides for the granting of stock options to key employees or consultants. The total number of shares reserved under the 2001 Plan is 62,500. No options have been granted under the 2001 Plan.

The Company's 1998 Director Option Plan (the "Director Plan") provides for granting of options for up to 37,500 shares to non-employee directors. Only nonstatutory options may be granted under the Directors Plan. Options are granted at prices not less than 100% of the market price of the stock at the time of grant. Stock options under this plan generally become exercisable over periods ranging from three months to three years. All options must be exercised within ten years of the date of grant. During 2003, 2002 and 2001, the Company granted options to purchase a total of 1,800, 8,500 and 6,150 shares, respectively.

In May 2003, our Board of Directors determined that each board member would receive options to purchase 1,500 shares of common stock each year. Each member of the Compensation Committee will receive additional options to purchase 150 shares of common stock per year. Each Audit Committee member will receive additional options to purchase 375 shares of common stock per year. In addition, each member of the Audit Committee, other than the Chairman, will receive cash compensation of $2 per year. The Audit Committee Chairman will receive cash compensation of $5 per year. These options are granted immediately following each annual meeting of stockholders at an exercise price per share of 100% of the fair market value of a share of common stock on the date of grant. These options will become exercisable on the last day of each of the four calendar quarters beginning with the first calendar quarter ending on or after the date of the grant. Each option has a term of ten years beginning on the date of grant. During 2003 the Company granted options to purchase a total of 5,625 shares to board members under the Plan.

During 2000, the Company granted incentive stock options to purchase a total of 1,250 shares for which vesting is contingent upon increases in the Company's stock price and other performance based measures, such as achieving specified revenues for new products. During 1999, the Company granted incentive stock options to purchase a total of 58,250 shares, for which vesting is contingent upon increases in the Company's stock price and other performance based measures, such as achieving specified revenues for new products. For these options, vesting generally occurs when the Company's stock price equals $72.00, $96.00, $120.00 and $160.00 per share. During 2003, 2002 and 2001, no incentive options were granted. The exercise price of each option, which has a ten-year life, is equal to the market price of the Company's stock on the date of grant. Compensation cost is measured and recorded for these options using variable accounting as prescribed by APB Opinion No. 25 at the end of each quarterly reporting period and is subsequently adjusted for increases or decreases in the Company's stock price until the exercise date. There was no compensation expense related to these options in 2003, 2002 or 2001.

On August 11, 2003, the Company granted options to purchase the Company's common stock to an employee who is the brother of the Chief Executive Officer, in connection with his joining the Company as an employee. The option grantee was an employee when he received the grant. The options vest over four years from the date of grant, expire ten years from the date of grant, and were issued with an exercise price below the fair market value of the stock on the date of grant. This grant was not subject to any of the Company's stock option plans. The total intrinsic value associated with the granting of options was $96, which will be recognized ratably as compensation expense over the four-year vesting period in accordance with APB Opinion No. 25. The Company recognized compensation expense of approximately $10 related to these options during the year ended December 31, 2003.

The Company has granted nonstatutory and incentive options outside the Company's stock option plans to purchase up to an aggregate of 57,000 shares, of which 34,500 were outstanding at December 31, 2003. These options were granted at prices determined by the Board of Directors. The options have a four-year vesting period and must be exercised within ten years of the date of the grant. Included in these options to purchase 3,125 and 18,958 shares which the Company granted in 2002 and 2001, respectively, and options to purchase 9,917 shares granted prior to 2001, to persons who were not directors, officers or employees.

These non-employee options were valued pursuant to SFAS No. 123. The majority of these options are performance-based awards, with no service commitment and subject to vesting only if the Company's stock price reaches a certain price. At December 31, 2003, 6,244 of the shares subject to these non-employee options were vested. The Company has recognized compensation expense of approximately $40, $1, and $56 related to these options during the years ended December 31, 2003, 2002 and 2001, respectively. Assumptions used in valuing the options are the same as those described below for employee options.

The per share weighted-average fair values of stock options granted during 2003, 2002 and 2001 were $4.95, $5.18 and $8.24, respectively, on the date of grant. Both the pro forma disclosures in note 1 and the weighted-average fair value of stock options on the date of grant were calculated using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Expected volatility	146%	175%	93%
Expected dividends	None	None	None
Weighted average risk-free interest rate	4.17%	4.14%	5.28%
Expected life of stock options	10 years	10 years	10 years

Stock option activity during the last three years was as follows:

	Within Plans				
	Nonstatutory Options	Incentive Options	Outside Plan	Exercise Price Ranges	Weighted-Average Exercise Price
Options outstanding at December 31, 2000	53,302	55,281	9,917	12.00 - 77.04	49.84
Option activity:					
Granted	244,206		18,958	6.50 - 15.60	8.24
Exercised					
Canceled	(4,934)			6.50 - 73.50	29.20
Options outstanding at December 31, 2001	292,574	55,281	28,875	6.50 - 77.00	21.04
Option activity:					
Granted	248,665		3,125	3.42 - 5.60	5.18
Exercised					
Canceled	(21,472)		(6,405)	4.64 - 73.50	31.78
Options outstanding at December 31, 2002	519,767	55,281	25,595	3.42 - 77.00	13.97
Option activity:					
Granted	129,425		25,000	2.85 - 5.55	4.95
Exercised	(25,624)			3.42 - 6.50	5.78
Canceled	(53,467)		(16,095)	3.42 - 74.00	19.40
Options outstanding at December 31, 2003	570,101	55,281	34,500	2.85 - 77.00	11.56

The following table summarizes information about stock options outstanding as of December 31, 2003:

Options outstanding				Options exercisable	
Range of exercise prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 2.85 - $ 4.64	54,175	9.14yrs	$ 3.20	8,645	$ 3.67
5.35 - 5.60	319,524	9.08	5.50	58,509	5.60
6.50 - 8.96	169,199	7.09	6.55	164,711	6.55
12.00 - 15.60	32,833	7.52	14.00	31,464	14.06
23.25 - 28.00	10,738	4.60	26.36	8,863	26.39
40.00 - 40.00	6,261	3.20	40.00	6,261	40.00
40.75 - 53.25	56,975	5.41	50.58	35,724	49.64
54.50 - 77.00	10,177	5.83	69.53	8,784	68.90
	659,882			322,961	

Note 11 Warrants:

On August 20, 1999, in connection with the Hewlett-Packard Strategic Supply, Services and Promotion Agreement the Company granted a two-year warrant to Hewlett-Packard to purchase 4.9% of the Company's outstanding common stock for $120.00 per share during the first year of the warrant and $160.00 per share during the second year of the warrant. The Company also granted a second warrant to Hewlett-Packard for the purchase of 4.5% of the Company's outstanding common stock during the second year of the term of the agreement for $160.00 per share. The number of shares that could be purchased upon exercise of the warrants was to be measured based on the outstanding common stock as of the most recent quarter or year-end as reported on the Company's report on Form 10-Q or Form 10-K. In May 2001, the Hewlett-Packard warrants terminated when the Promotion Agreement was terminated.

The Hewlett-Packard warrants were valued pursuant to SFAS No. 123 and EITF Issue No. 96-18. The fair value of these warrants using the Black-Scholes option-pricing model and the same assumptions as in note 10 for employee stock options, except for substituting the contractual life of two years, was approximately $424 and $597, respectively. In 2001 total expense of $73 was recognized.

Note 12 Geographic Information:

The following information relates to geographic locations:

Year ended December 31, 2003

	Domestic	Australia	India	Singapore	Canada	Total
Revenue	$ 9,922	$ 2,969	$ 160	$ 1,187	$ 195	$ 14,433
Fixed assets	$ 438	$ 53	$ 832	$ 29	$ 1	$ 1,353

Year ended December 31, 2002

	Domestic	Australia	India	Singapore	Canada	Total
Revenue	$ 9,449	$ 2,203		$ 651	$ 348	$ 12,651
Fixed assets	$ 630	$ 45	$ 433	$ 22	$ 1	$ 1,131

Year ended December 31, 2001

	Domestic	Australia	India	Singapore	Canada	Total
Revenue	$ 10,456	$ 1,491		$ 616	$ 324	$ 12,887
Fixed assets	$ 809	$ 36		$ 23	$ 1	$ 869

Note 13 Subsequent Events-

Sale of Unregistered Common Stock

On January 16, 2004, the Company sold 222,223 shares of its previously unregistered common stock to CF Epic Insurance and General Fund, an investment fund located in London, of which BRiT owns approximately 45% of the equity interests, for a total price of $3,000,010, or $13.50 per share.

Acquisition of LifeLink

On February 23, 2004, the Company acquired LifeLink Corporation ("LifeLink"). Under terms of the agreement, the Company acquired all of the outstanding capital stock of LifeLink from the shareholders in exchange for an aggregate purchase price of $10,500,000, payable as follows: $5,000,000 paid in cash at closing, $2,500,000 payable in cash over a period of five years, and $3,000,000 payable in 200,000 shares of the common stock of the Company issued at the time of closing. In connection with the 200,000 shares of common stock the former owner received from Ebix the option to sell his stock back to Ebix at specified time-frames and prices.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

Item 9A. CONTROLS AND PROCEDURES

In connection with its 2003 year-end audit, the Company's independent certified public accountants at that time, KPMG LLP ("KPMG"), identified details of reportable conditions relating to the Company's internal control over financial reporting. According to KPMG, the communication of the reportable conditions was based on their professional judgment, taking into consideration audit differences that required adjustment to the Company's financial statements, as well as the underlying causes for such adjustments, and KPMG's observations about the Company's internal control processes, but did not arise from any particular transaction or event. On March 25, 2004, KPMG presented to the audit committee the details of the reportable conditions noted during the 2003 audit, which included (1) delegation of authority and what KPMG considered to be inadequate reviews by a person other than the preparer of accounting information, (2) the lack of a formalized contract review process to ensure proper revenue recognition, (3) the lack of a complete understanding of the Company's income tax positions and related accounts, (4) inadequate documentation for certain unusual transactions (including the basis for the Company's accounting conclusions), and (5) internal control matters (documented and testable control environment) under the Sarbanes-Oxley Act, Section 404 (together with applicable regulations, "SOX 404").

In response to KPMG's identified issues, in the first and second quarters of 2004 (after the year covered by this report), the Company changed its reporting structure within the financial accounting group and redistributed responsibilities among the financial accounting group to create improved checks and balances. As a result of the reorganization, all members of the finance department, other than the Chief Financial Officer, report to the corporate controller. Further, (a) the responsibility for a formalized contract review process to ensure proper revenue recognition was re-assigned to a financial department director; (b) the Company established a process for the quarterly review of the provision for income taxes by the Chief Financial Officer and corporate controller; and (c) the Chief Financial Officer and corporate controller undertook responsibility for the analysis and documentation of any unusual transactions. During the third quarter of 2004, the Company hired an additional senior staff professional for the financial accounting group, whose duties include SOX 404 documentation of internal control matters. His hiring strengthened the overall capabilities of the accounting group and allowed the further reallocation of responsibilities, enabling the corporate controller to devote additional time to the Company's consolidated tax provision and accounting for income taxes.

In addition, to address further the deficiencies described above and to improve the Company's internal control over financial reporting for future periods, the Company plans to:

1. Perform a review of internal controls and procedures in connection with satisfying the requirements of SOX 404, with the assistance of an outside consulting firm to be retained by the Company;

2. Perform more detailed quarterly reconciliations and analyses of the Company's revenue accounts;

3. Continue to enhance staffing to provide sufficient resources to accomplish the foregoing objectives, including through the addition of a senior financial accountant in Australia.

The enhancements to internal control over financial reporting made in the first nine months of 2004 constitute, and the planned further improvements will constitute, significant changes in internal control over financial reporting. There was not, however, any change in the Company's internal control over financial reporting during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company continues to evaluate the effectiveness of its internal control over financial reporting, along with its disclosure controls and procedures, on an ongoing basis and will take further action as appropriate.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the design and operation of the Company's disclosure controls and procedures, which are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files with or submits to the Securities and Exchange Commission is recorded, processed, summarized and reported accurately within the time periods specified in the Commission's rules and forms. Based on this evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer concluded that, as of December 31, 2003, the Company's disclosure controls and procedures were effective to provide such reasonable assurance, even though none of the internal control enhancements described above had been implemented as of the end of 2003. They reached this conclusion based in large part on their assessment of (i) the financial expertise of the Chief Financial Officer and the members of the internal accounting staff, (ii) the regular communications among such persons (serving as a de facto disclosure committee), and between them and the rest of the relatively small organization, with respect to all material developments in the Company's business, and (iii) the overall process of preparation and review of the Company's financial and other disclosure.

Item 9B. OTHER INFORMATION

Not Applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of the Company are as follows:

ROBIN RAINA, 38, was elected as a director in February 2000. Mr. Raina joined Ebix, Inc. in October 1997 as the Company's Vice President Professional Services and was promoted to Senior Vice President Sales and Marketing in February 1998. Mr. Raina was promoted to Executive Vice President, Chief Operating Officer in December 1998. Mr. Raina was appointed President effective August 2, 1999, Chief Executive Officer effective September 23, 1999 and Chairman in May 2002. Prior to joining us, from 1990 to 1997, Mr. Raina held senior management positions for Mindware/BPR, an international technology consulting firm, serving in Asia and North America. While employed by Mindware/BPR, Mr. Raina was responsible for managing projects for multinational corporations, including setting up offshore laboratories, building intranets, managing service bureaus and support centers, providing custom programming, and year 2000 conversions. Mr. Raina holds an Industrial Engineering degree from Thapar University in Punjab, India.

PAVAN BHALLA, 41, was appointed as a director in June 2004. Mr. Bhalla has served as Senior Vice President Finance of MCI Inc., a global telecommunications company, and presently oversees financial management of MCI's domestic retail business units. Before joining MCI in August 2003, Mr. Bhalla spent over seven years with BellSouth Corporation, a telecommunications company, serving in a variety of executive positions, including Chief Financial Officer of BellSouth Long Distance Inc. from 1999 to 2002, Corporate Controller of BellSouth Cellular Corp. from 1997 to 1999, and Regional Director of Finance of BellSouth Cellular Corp. from 1996 to 1997.

DENNIS DRISLANE, 55, was elected as a director in October 2000. Mr. Drislane is President of Cypress Point Communications, which is his health care and technology consulting company. Mr. Drislane was a Senior Vice President of WebMD (formerly Healtheon), an Internet healthcare company, from July 1997 to February 2001, when he left to start his own consulting business. Prior to WebMD, Mr. Drislane spent 24 years with Electronic Data Systems (EDS), a computer services company, in a number of senior executive positions.

PAUL JOSEPH HODGES, 45, was appointed as a director in July 2004. Mr. Hodges has served as a corporate broker for Collins Stewart, a financial services company, specializing in the insurance, other financials and water sectors, since 2000. Prior to joining Collins Stewart, Mr. Hodges spent three years as a founding member of Schroder Securities, a financial services company, working on insurance archaeology projects and spent over 15 years working for stock brokerage firms as a composite insurance analyst.

HANS UELI KELLER, 53, was appointed as a director in July 2004. Mr. Keller most recently spent over 20 years with Zurich-based Credit Suisse, a global financial services company, serving as Executive Board Member from 1997 to 2000, Head of Retail Banking from 1993 to 1996, and Head of Marketing from 1985 to 1992. He is presently also serving as Chairman of the Board of Swisscontent Corp. AG, in addition to being a member of the board of directors of KdLabs AG.

KENNETH D. MERIN, 57, was appointed as a director in July 2004. Mr. Merin is an attorney at law with approximately 20 years of experience in the insurance business. He currently supervises the insurance regulatory practice at the law firm of Purcell, Ries, Shannon, Mulcahy, and O'Neill, based in New Jersey, where he has practiced since 1996. He is also the President of the Charles Hayden Foundation, a New York City-based non-profit organization dedicated to helping underprivileged children, a position he has held since 2000. Mr. Merin has an extensive background in public policy matters affecting state and federal governments. From 1975 through 1980 he worked for the U.S. Congress in various capacities. Mr. Merin has also served in various capacities in New Jersey state government, including as Commissioner of Insurance.

WILLIAM W. G. RICH, 68, was elected as a director in November 2000. Since 1989, Mr. Rich has served as Chief Executive Officer of Strategic Business Partners, Inc., which specializes in mergers, acquisitions and strategic alliances between financial software developers and service providers, with a specialty in insurance and banking. Under a contract between Strategic Business Partners and Sherwood International LLC, an insurance software and consulting firm, Mr. Rich served from 1996 to 2002 as Sherwood's Director of Marketing, Life and Annuities, North America. Since 2002, Mr. Rich has been active with Strategic Business Partners in North America and Europe.

RICHARD J. BAUM, 66, has been Executive Vice President Finance & Administration, Chief Financial Officer and Secretary since July 21, 1999, having joined the Company as Senior Controller in June 1999. Since 1988, he had been President of Consulting Capabilities Corp., a general business consulting firm specializing in turnaround and crisis management. His prior executive level posts include Chief Financial Officer of General American Equities (1983-1987), Vice President of American Invesco Corp (1979-1983), Chief Financial Officer of Norlin Music, Inc. (1977-1979), and Chief Financial Officer and member of the Board of Midas International Corp. (1972-1977). He is a CPA and holds an MBA from the University of Chicago.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Pavan Bhalla, the Chairman of the Audit Committee, meets the qualifications of an "audit committee financial expert" pursuant to SEC rules. The Board has also determined that Mr. Bhalla qualifies as an "independent director" in accordance with NASDAQ listing requirements and special standards established by the SEC for members of audit committees. Stockholders should understand that the designation of an audit committee financial expert is a disclosure requirement of the SEC related to Mr. Bhalla's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon Mr. Bhalla any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

CODE OF ETHICS

The Company has adopted a "Code of Ethics" that applies to the Chief Executive Officer, Chief Financial Officer and any other senior financial officers. This Code of Ethics is posted on the Company's website at *www.ebix.com*, where it may be found by clicking on Ebix Inc.'s Code of Ethics. The Company intends to satisfy the disclosure requirement under Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Ethics by posting such information on the Company's website, at the address and location specified above.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the Securities and Exchange Commission reports of securities ownership on Form 3 and changes in such ownership on Forms 4 and 5. Officers, directors and more than ten percent beneficial owners also are required by rules promulgated by the Securities and Exchange Commission to furnish us with copies of all such Section 16(a) reports that they file. Based solely upon a review of the copies of Forms 3, 4, and 5 furnished to the Company and representations by certain executive officers and directors that no such reports were required for them, the Company believes that, during 2003, all of the Company's directors, officers and more-than-ten-percent beneficial owners filed all such reports on a timely basis, except that each of Messrs. Rich and Drislane and Douglas Chisholm (a former director) filed a Form 4 on October 21, 2003 for an October 17, 2003 option grant and each of Messrs. Baum and Raina filed a Form 4 on October 3, 2003 for a September 16, 2003 option grant.

Item 11. EXECUTIVE COMPENSATION

The table below contains information regarding the annual and long-term compensation for the years ended December 31, 2003, December 31, 2002 and December 31, 2001 for the Company's Chief Executive Officer and other executive officer as of December 31, 2003 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long Term Compensation Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($)(2)	Securities Underlying Options (#)	All Other Compensation ($)(1)
Robin Raina	2003	$ 350,000	$ 624,310	110,000	$ 2,105
President, Chief Executive Officer and Chairman	2002	$ 313,462	$ 162,500	125,000	$ 3,894
of the Board	2001	$ 300,050	$ 150,000	125,000	$ 2,550
Richard J. Baum	2003	$ 200,000	$ 232,150	12,000	$ 3,000
Executive Vice President Chief Financial Officer	2002	$ 197,692	$ 100,000	31,250	$ 2,965
and Secretary	2001	$ 190,050	$ 35,625	31,250	$ 2,550

(1) Represents matching contributions pursuant to our 401(k) plan.

(2) The 2003 bonuses include supplemental bonuses of $132,000 for Mr. Baum and $449,000 for Mr. Raina that were based upon the achievement of operating cash flow goals.

Option Grants for the Year Ended December 31, 2003

The table below contains information regarding individual grants of options to purchase shares of Common Stock made during the year ended December 31, 2003 to each of the Named Executive Officers. The Company did not award any stock appreciation rights in 2003.

OPTION GRANTS IN LAST FISCAL YEAR

	Individual Grants (1)				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term (2)	
Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share ($/Sh)	Expiration Date	5% ($)	10% ($)
Robin Raina (3)	110,000	74.8%	$ 5.35	9/16/13	$ 370,104	$ 937,917
Richard J. Baum (3)	12,000	8.2%	$ 5.35	9/16/13	$ 40,375	$ 102,318

(1)

All options were granted under our 1996 Stock Incentive Plan.

(2)

Potential realizable value is presented net of the option exercise price but before any federal or state income taxes associated with exercise. These amounts represent certain assumed rates of appreciation prescribed by the SEC. Actual gains are dependent on the future performance of the Common Stock and the option holders' continued employment over the vesting period. The potential realizable values do not reflect our prediction of the Company's stock price performance. The amounts reflected in the table may not be achieved.

(3) The options become exercisable each year, in equal annual installments on the first four anniversaries of the grant date, unless accelerated vesting criteria are met. Because the Company reported a pre-tax profit for the year ended December 31, 2003, these options vested as to 50% of the remaining unvested shares on the date the profit was reported. If the Company reports a net profit of $2,000,000 for the year ended December 31, 2004, these options will vest as to all remaining unvested shares on the date the profit is reported.

December 31, 2003 Option Values

The table below contains information regarding unexercised options to purchase Common Stock held by the Named Executive Officers as of December 31, 2003. No stock options were exercised by the Named Executive Officers during 2003.

FISCAL YEAR-END OPTION VALUES

	Number of Securities Underlying Unexercised Options at Year-End(#)		Value of Unexercised In-the-Money Options at Year-End($)(1)	
Name	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Robin Raina	192,785	212,216	$ 961,998	$ 1,350,607
Richard J. Baum	46,484	41,766	$ 240,536	$ 230,509

(1) The value per option is calculated by subtracting the exercise price per share from the closing price of the Company's Common Stock on the NASDAQ Smallcap Market on December 31, 2003, which was $12.26.

Director Compensation

Under the Non-Employee Directors Stock Option Plan (the "1998 Director Option Plan"), each non-employee director, upon initial election or appointment to serve on the Board of Directors, receives a grant of an option to purchase 1,500 shares of Common Stock at an exercise price per share of 100% of the fair market value of a share on the date of the grant. Of the 1,500 shares of Common Stock subject to such an option, the option becomes exercisable with respect to (a) 500 shares on the day prior to the first anniversary of the date of the grant and (b) 125 shares on the last day of each of the eight calendar quarters commencing on the last day of the calendar quarter ending on or after the first anniversary of the date of the grant. Each option has a term of ten years beginning on the date of the grant. Upon appointment to our Board of Directors, each of Messrs. Bhalla, Hodges, Keller and Merin was granted an option to purchase 1,500 shares of Common Stock pursuant to the 1998 Director Option Plan.

In addition, the 1998 Director Option Plan provides for each non-employee director, immediately following each annual meeting of our stockholders, to be granted an option to purchase 450 shares of Common Stock at an exercise price per share of 100% of the fair market value of a share of Common Stock on the date of the grant. Of the 450 shares of Common Stock subject to each such option, the option becomes exercisable with respect to 112.5 shares on the last day of each of the four calendar quarters beginning with the calendar quarter ending on or after the date of the grant. Each option has a term of ten years beginning on the date of grant.

In 2003, (1) each non-employee director received options to purchase 1,500 shares of Common Stock each year, including the options automatically awarded under the 1998 Director Option Plan, (2) each member of the Compensation Committee received additional options to purchase 150 shares of Common Stock and (3) each Audit Committee member received additional options to purchase 375 shares of Common Stock. These options were granted immediately following the Company's 2003 annual meeting of stockholders at an exercise price per share of 100% of the fair market value of a share of Common Stock on the date of the grant. These options become exercisable on the last day of each of the four calendar quarters, beginning with the first calendar quarter ending on or after the date of the grant, and have a term of ten years beginning on the date of grant. In addition, each member of the Audit Committee, other than its Chairman, received cash compensation of $2,500 in 2003. The Audit Committee Chairman received cash compensation of $5,000 in 2003.

In December 2004, the Company's Board of Directors adopted a new compensation program for the Company's non-employee directors, to commence in 2005. Pursuant to this program, each non-employee director is to receive an annual cash retainer of $14,000. The Chairman of the Audit Committee is to receive an additional annual fee of $5,000 and each other member of the Audit Committee and each member of the Compensation Committee is to receive an additional annual fee of $2,500. Also, each non-employee director is to receive an initial grant on his election to the Board of an option to purchase 1,500 shares, vesting over three years, and an annual grant thereafter of an option to purchase 1,500 shares, including the options automatically awarded under the 1998 Director Option Plan. These options will be granted immediately following each annual meeting of stockholders at an exercise price per share of 100% of the fair market value of a share of common stock on the date of grant. These options will become exercisable on the last day of each of the four calendar quarters beginning with the first calendar quarter ending on or after the date of the grant and will have a term of ten years beginning on the date of the grant.

Employment and Severance Agreements

We entered into an Executive Severance Agreement with Mr. Baum, dated October 4, 2000, which provides for a severance payment if a change of control of the Company occurs and, within 12 months thereafter, either Mr. Baum's employment is terminated without cause or he resigns due to a demotion or other new and onerous requirements being placed on him. Under the Agreement, the severance payment is equal to one year's salary (based on the highest monthly salary earned by Mr. Baum during the 12 months preceding his termination) plus a bonus equal to the fraction of the calendar year worked up to the termination, multiplied by the bonus paid to him in the prior calendar year. Under certain circumstances, the Agreement also provides medical insurance subsidies for a period of 12 months and indemnification. Under the Agreement, Mr. Baum agrees to hold our proprietary information confidential and, for a period of 12 months following his termination, cooperate with us with respect to corporate administrative affairs arising during his employment. If his termination results in payment of the Agreement's severance benefits, Mr. Baum will be subject to a non-competition agreement for a period of one year following his termination. When used in the foregoing summary the terms "cause" and "change of control" have the meanings given to them in the Agreement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of December 13, 2004, the ownership of our Common Stock by each of the Company's directors, by each of our Named Executive Officers (as defined above), by all of our current executive officers and directors as a group, and by all persons known to the Company to be beneficial owners of more than five percent of the Company's Common Stock. The information set forth in the table as to the current directors, executive officers and principal stockholders is based, except as otherwise indicated, upon information provided to us by such persons. Unless otherwise indicated, each person has sole investment and voting power with respect to the shares shown below as beneficially owned by such person.

	Common Stock	
Name of Beneficial Owner	**Ownership**	**Percent of Class**
BRiT Insurance Holdings PLC (1)	930,163	32.0%
Rennes Foundation (2)	343,121	11.8%
CF Epic Insurance and General Fund (3)	222,223	7.6%
Craig Wm. Earnshaw (4)	200,000	6.9%
Heart Consulting Pty. Ltd. (5)	157,728	5.4%
Robin Raina (6)	358,952	10.9%
Richard J. Baum (7)	76,285	2.6%
Dennis Drislane (7)	5,916	*
William W. G. Rich (7)	5,241	*
Pavan Bhalla	0	*
Paul Hodges	0	*
Hans Ueli Keller	0	*
Kenneth D. Merin	0	*
All directors and executive officers as a group (8 persons) (8)	446,394	13.3%

* Less than 1%.

(1) The address of BRiT Insurance Holdings PLC is 55 Bishopsgate, London, EC2N 3AS, United Kingdom. The address and information set forth in the table as to this stockholder are based on a Schedule 13D/A filed by this stockholder on October 21, 2002. As of December 13, 2004, BRiT Insurance Holdings PLC owned approximately 70% of the equity interests of CF Epic Insurance and General Fund, but did not have voting or dispositive control over the shares of our Common Stock owned by CF Epic Insurance and General Fund.

(2) The address of the Rennes Foundation is Aeulestrasse 38, FL 9490 Vaduz, Principality of Liechtenstein. The address and information set forth in the table as to this stockholder are based on a Schedule 13G/A filed by this stockholder on February 12, 2004.

(3) The address of CF Epic Insurance and General Fund is c/o Simon Shaw, Investment Manager, 55 Bishopsgate, London, EC2N 3AS, United Kingdom.

(4) These shares are subject to a repurchase commitment by the Company pursuant to which Earnshaw may require us to repurchase such shares for an aggregate purchase price of $2,700,000 minus any proceeds received by him from earlier sales of any portion of such shares. The address of Craig Wm. Earnshaw is 1301 Little Kate Road, Park City, Utah, 84060.

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(5)

These shares are subject to a repurchase commitment by the Company pursuant to which Heart Consulting Pty. Ltd. may require us to repurchase such shares at any time during January 2006 for an aggregate purchase price of A$2,000,000 ($1,399,000 USD) minus any proceeds received by Heart Consulting Pty. Ltd. from earlier sales of any portion of such shares. The address of Heart is C/- PPF Partners, Level 2, 52 Collins Street, Melbourne, Victoria Australia 3000.

(6)

Includes 358,517 shares of Common Stock that may be purchased by exercising outstanding options within 60 days after December 13, 2004. The address of Mr. Raina is 5 Concourse Parkway, Suite 3200, Atlanta, Georgia 30328.

(7)

Represents shares of Common Stock that may be purchased by exercising outstanding options within 60 days after December 13, 2004.

(8)

Includes 412,776 shares of Common Stock that may be purchased by exercising outstanding options within 60 days after December 13, 2004.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2003, the Company maintained the 1996 Stock Incentive Plan and our 1998 Non-Employee Directors Stock Option Plan, each of which was approved by the Company's stockholders. We also maintained the 2001 Stock Incentive Plan, which was not approved by our stockholders. As discussed below, our Board of Directors has terminated the 2001 Stock Incentive Plan. The table below provides information as of December 31, 2003 related to these plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders	659,882	$ 11.56	156,468
Equity Compensation Plans not Approved by Security Holders			62,500
Total	659,882	$ 11.56	218,968

The following is a summary description of our only non-stockholder-approved plan:

2001 Stock Incentive Plan

During 2001, the Company's Board of Directors adopted the 2001 Stock Incentive Plan (the "2001 Plan"), which provides for the granting of stock options and other incentive awards to employees and consultants. The total number of shares reserved for issuance under the 2001 Plan is 62,500. No options or other incentive awards have been granted under the 2001 Plan, and in 2004 the Company's Board of Directors determined that it was in the Company's best interest to terminate the 2001 Plan and voted to terminate the 2001 Plan.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 13, 2004, BRiT Insurance Holdings PLC ("BRiT") held 930,163 shares of the Company's Common Stock, representing approximately 32 percent of the Company's outstanding Common Stock. During 2003, approximately $3,245,000 was recognized as services revenue from BRiT and its affiliates related to call center and development projects. During the first nine months of 2004, approximately $2,681,000 was recognized as services revenue from BRiT and its affiliates. Total accounts receivable from BRiT and its affiliates at September 30, 2004 were $547,000. We continue to provide services for BRiT and its affiliates and to receive payments for such services. We currently expect that the Company's total 2004 revenue from BRiT will be equal to or greater than that recognized in 2003, although there can be no assurance to that effect. In addition, as of December 13, 2004, CF Epic Insurance and General Fund, of which BRiT owned approximately 70% of the equity interests as of such date, beneficially owned 7.6% of our outstanding Common Stock.

During 2003, we hired Rahul Raina as the Director of Business Process Outsourcing for the Delphi Consulting Division of our company. He is paid an annual salary of $90,000 and on August 11, 2003, after becoming an employee of our company, we granted options to Mr. Raina to purchase 25,000 shares of our Common Stock. The options vest over four years from the date of grant, expire ten years from the date of grant, and were issued with an exercise price below the fair market value of the stock on the date of grant. This grant was not subject to any of the Company's stock incentive plans. The total intrinsic value associated with the granting of options was $96,250, which will be recognized ratably as compensation expense over the four-year vesting period in accordance with APB Opinion No. 25. The Company recognized compensation expense of approximately $18,000 during the first nine months of 2004 and $10,000 related to these options during the year ended December 31, 2003. Rahul Raina is the brother of Robin Raina, the Company's Chairman of the Board, President and Chief Executive Officer.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees billed for professional services rendered for the audit of the Company's annual financial statements for 2003 and 2002 and fees billed for other services rendered during 2002 and 2003 by KPMG LLP, the Company's independent auditors through June 30, 2004.

	2003	2002
Audit Fees (1)	$ 290,000	$ 230,000
Audit Related Fees (2)	$ 10,000	$ 8,000
Tax Fees (3)	$ 37,000	$ 20,000
All Other Fees	$ 0	$ 0

(1) Including fees for the audit of our annual financial statements included in our Form 10-K and reviews of the financial statements in our Forms 10-Q, but excluding audit-related fees.

(2) Including benefit plan and assistance with SEC and NASDAQ matters.

(3) Includes the preparation of our federal income tax return.

The Audit Committee considered and pre-approved all of the above-referenced fees and services. Pursuant to a policy adopted by our Board of Directors, the Audit Committee requires advance approval of all audit services and permitted non-audit services to be provided by the independent auditors as required by the Securities Exchange Act of 1934.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)

1. *Financial Statements.*

The following consolidated financial statements and supplementary data of the Company and its subsidiaries, required by Part II, Item 8 are filed herewith:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2003 and December 31, 2002

Consolidated Statements of Income for the years ended December 31, 2003, December 31, 2002, and December 31, 2001.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, December 31, 2002, and December 31, 2001.

Consolidated Statements of Cash Flows for the years ended December 31, 2003, December 31, 2002 and December 31, 2001.

Notes to Consolidated Financial Statements

2.

Financial Statement Schedules.

The following consolidated financial statement schedule is filed herewith:

Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2003, December 31, 2002 and December 31, 2001.

Schedules other than those listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

3.

Exhibits 1

The exhibits filed herewith or incorporated by reference are listed on the Exhibit Index attached hereto.

(b)

Reports on Form 8-K

The Company did not file any current reports on Form 8-K during the fourth quarter of 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Ebix, Inc.

(Registrant)

By: /s/ ROBIN RAINA

Robin Raina
Chairman of the Board,
President and Chief Executive Officer

Date: December 20, 2004

EXHIBIT INDEX

Exhibits

2.1	Stock Purchase Agreement dated February 23, 2004 by and among the Company and the shareholders of LifeLink Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report of Form 8-K dated February 23, 2004 (the "February 2004 8-K")) and incorporated herein by reference.
2.2	Secured Promissory Note, dated February 23, 2004, issued by the Company (incorporated by reference to Exhibit 2.2 of the February 2004 8-K and incorporated herein by reference).
3.1	Certificate of Incorporation of the Company, as amended (including Certificates of Designations).
3.2	Bylaws of the Company
10.1	Delphi Information Systems, Inc. 1983 Stock Incentive Plan, as amended (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 33-45153) and incorporated herein by reference). +
10.2	Delphi Information Systems, Inc. Cash Option Profit Sharing Plan (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (No. 33-19310) and incorporated herein by reference). +
10.3	Delphi Information Systems, Inc. 1989 Stock Purchase Plan (included in the prospectus filed as part of the Company's Registration Statement on Form S-8 (No. 33-35952) and incorporated herein by reference). +
10.4	Delphi Information Systems, Inc. Non-Qualified Stock Option Plan for Directors (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992 and incorporated herein by reference). +
10.5	Delphi Information Systems, Inc. 1996 Stock Incentive Plan (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-23261) and incorporated herein by reference). +
10.6	Lease agreement effective October, 1998 between the Company and 485 Properties LLC relating to premises at Five Concourse Parkway, Atlanta, Georgia (filed as Exhibit 10.16 to the Company's Transition Report on Form 10-K for the transition period from April 1, 1998 to December 31, 1998 and incorporated herein by reference).
10.7	Delphi Information Systems, Inc. 1998 Non-Employee Director's Stock Option Plan (filed as Exhibit A to the Company's proxy statement dated August 12, 1998 and incorporated herein by reference). +
10.8	Sublease agreement dated July 22, 1999 between the Company and Air Liquid America Corporation relating to the premise at Walnut Creek California (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
10.9	First Amendment to the Delphi Information Systems, Inc. 1996 Stock Incentive Plan (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
10.10	Delphi Information Systems, Inc. 1999 Stock Purchase Plan (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

10.11	Baum Severance agreement dated October 4, 2000 (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference). +
10.12	Sublease agreement dated October 11, 2000, between the Company and Eric Swallow and Deborah Swallow, relating to the premises at 2055 N. Broadway, Walnut Creek, CA. (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
10.13	First amendment to lease agreement dated June 26, 2001, between the Company and PWC Associates, relating to premises of Building Two of the Parkway Center, Pittsburgh, PA. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
10.14	Lease agreement dated November 6, 2001, between the Company and Great Lakes REIT, L.P., relating to premises at 1900 E. Golf Road, Suite 1050, Schaumburg, Illinois. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
10.15	Second Amendment to ebix.com, Inc. 1996 Stock Incentive Plan (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference). +
10.16	2001 Stock Incentive Plan for Employees (filed as Exhibit 4.1 to the Company's Form S-8 filed on April 19, 2001 and incorporated herein by reference). +
10.17	Share Exchange and Purchase Agreement between the Company and BRiT Insurance Holdings PLC (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference).
10.18	Registration Rights Agreement between the Company and BRiT Holdings Limited (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference).
10.19	Third Amendment to ebix.com, Inc. 1996 Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference).+
10.20	Share Purchase Agreement dated January 16, 2004, by and between Ebix, Inc. and CF Epic Insurance and General Fund (filed as Exhibit 99.1 to the Company's S-3 (No. 333-112616), and incorporated herein by reference.
10.21	Second Amendment to the Lease Agreement dated June 3, 2003 between the Company and 485 Properties, LLC relating to the premises at Five Concourse Parkway, Atlanta, Georgia (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference.
21.1*	Subsidiaries of the Company.
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).

32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

\+ Management contract or compensatory plan or arrangement required to be included as an exhibit to this annual report on Form 10-K.

Schedule II

Ebix, Inc.
Schedule II Valuation and Qualifying Accounts
for the Years ended December 31, 2003, December 31, 2002 and December 31, 2001

Allowance for doubtful accounts receivable

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Beginning balance	$ 633,699	$ 985,426	$ 1,049,962
Provision for doubtful accounts	14,121	508,840	20,000
Write-off of accounts receivable against allowance	(291,585)	(860,567)	(84,536)
Ending balance	$ 356,235	$ 633,699	$ 985,426

Valuation allowance for deferred tax assets

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Beginning balance	$ (23,918)	$ (23,913)	$ (24,889)
Decrease (increase)	1,149	(5)	976
Ending balance	$ (22,769)	$ (23,918)	$ (23,913)

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